

THURSDAY, 31 JULY 2014

REPORT OF THE PORTFOLIO HOLDER FOR ECONOMY AND EDUCATION**TAMWORTH ASSEMBLY ROOMS AND CREATIVE QUARTER UPDATE****EXEMPT INFORMATION**

N/A

PURPOSE

To update Members on the current position regarding the Tamworth Assembly Rooms redevelopment project and wider Creative Quarter Scheme.

RECOMMENDATIONS

1. The Council withdraws its current Heritage Lottery Fund Round 2 bid for the Assembly Rooms with a review to resubmitting following further work to secure additional external match funding.
2. The Council authorises the reopening of bookings for the buildings within the Creative Quarter for the period February 2015 until January 2016.
3. That officers continue to assess the business case for prudential borrowing to support a future HLF Round 2 bid.
4. Formally approach the County Council for their position in relation to the Creative Quarter project and their ability to contribute financially to it.
5. That the Council seeks formal feedback from the Government and SSLEP on the Creative Quarter Bid.
6. Approach GBSLEP and SSLEP to position the Creative Quarter as a fallback project within their respective SLGF programmes.
7. Explore the opportunity for EU funding bids ahead of the call for projects expected in the Autumn 2014

EXECUTIVE SUMMARY

The last report to cabinet in March 2014 referred to this project as the Cultural Quarter however following feedback from funding bodies, partners and internal discussion the project is now entitled the Tamworth Creative Quarter.

As detailed in previous cabinet reports a joint Tamworth Borough Council and Staffordshire County Council governance structure and working group has been established to explore and develop a strategic plan for the creation of a Creative Quarter, with Tamworth Assembly

Rooms at the heart of the proposals. The purpose is to explore opportunities to use existing public sector assets in a more innovative manner, in order to benefit the wider Town Centre, acting as a catalyst for future development, regeneration and inward investment. The project is exploring how all the identified buildings and the public realm can be adapted and improved to deliver an enhanced offer for residents and visitors, ultimately having a significant positive impact on the Town Centre. The principal method in which this is intended to be delivered is through the creation of a Creative Quarter; based off Corporation Street in Tamworth Town Centre, comprising the following assets.

- The Assembly Rooms - Tamworth Borough Council owned
- The Carnegie Centre – Tamworth Borough Council owned
- The Philip Dix Centre – Tamworth Borough Council owned
- Tamworth Library – Staffordshire County Council owned
- Public space / car park between the 3 buildings – County / Borough Council owned

The Creative Quarter project consists of a number of unique parts, which are linked so that greater impact can be achieved as one project rather than on their own. For example the public realm improvements enhance the setting of the Assembly Rooms, add to the commercial attractiveness of the Carnegie restaurant proposal and enhance the accessibility and look of the library, whilst connecting this area with the rest of the town centre. However, it is feasible that some elements of the scheme could be delivered independently of the other elements. This is most evident for the business enterprise centre proposals at the Philip Dix Centre.

Using the government's economic impact methodologies it is estimated that the Creative Quarter impact could have an estimated £13m benefit to the wider town centre economy. Further to this, the Council has appointed ERS, an economic consultancy to assess the economic impact of the Creative Quarter scheme and other regeneration projects to support existing and future funding bids. This has been funded through the existing regeneration budget.

Key issue

A number of bids for funding have been submitted for the various elements of the project. Unfortunately, none of them have been successful. Most significantly a number of bids for the Assembly Rooms element have been unsuccessful leaving a funding gap of over £2.1m. The Heritage Lottery Fund have informed us that they are unlikely to approve the recently made bid for funding as a result of the funding gap. They remain supportive of the project and have therefore suggested that the Council withdraw the application, seek to secure the necessary funding gap or to reduce the scale of the project. They will allow us 6 months to do this.

This report seeks to identify the best course of action for the immediate term and starts to consider the medium and longer term implications should funding not be available. As the HLF are likely to reject the current application if not withdrawn there are three options available:

- a) secure the funding required for the Assembly Rooms, circa £2.1m, within the next 6 months and the additional elements of the overall project.
- b) reduce the scale of the Assembly Rooms project and resubmit a bid to HLF. Seek funding for the additional elements of the overall project.
- c) Place the project on hold, Undertake a Service Review based on the future closure of the Assembly Rooms with either a new theatre or without one.

The report seeks approval to investigate the first two options in the first instance.

Current Progress

1) Tamworth Assembly Rooms

A second round bid for Heritage Lottery Funding was submitted in early June 2014 This bid

was one of two external funding bids endorsed by a scheme of delegation report. The first bid was to the Staffordshire and Stoke on Trent Local Enterprise Partnership for Single Local Growth Funding.

Building and service issues

As part of the survey work completed under the HLF stage one grant and other studies, the key building and service issues can be summarised as follows:

- Structural issues, including cracking above the proscenium arch on the front façade highlighted by the project structural engineers. The Proscenium arch is a key area of ongoing concern and is currently undergoing further investigation and will require an element of emergency works.
- The worn and outdated condition of the interior of building.
- The significant damp problem in the basement areas of the building
- Poor access into, and throughout, the building for visitors, especially those with mobility issues
- Current external structural issues including cracking, water ingress and brick erosion
- Incoherent and not fit for purpose mechanical and electrical infrastructure, resulting in issues with heating and cooling the building. This year has seen an increase in complaints about the temperature of the main hall.
- Lack of street presence with visitors believing the building to always be closed
- The need to increase income generation due to increasing running costs.

Final design and summary of proposed capital works

The final design has been developed by the architects Rodney Melville and Partners with the project team. The principal aspects of the proposed capital works include:

- Repairs to the fabric of the building including the proscenium arch and front façade
- Reconfiguration of the bar and toilet areas to allow the bar/café to front onto corporation street with glass windows.
- Improvements to the layout of the foyer and box office
- An extension to the north of the building incorporating a studio and large multipurpose space
- The redecoration of the interior of the building
- Increase footfall and income.

Consultation update

Public consultation has been carried out throughout the development of the project to inform the proposals. Initial consultation found that some 97% of the public wanted to see the building preserved for future generations. In spring 2013 a major consultation programme gathered more than 800 questionnaire responses and addressed members of the community at over 20 events and focus groups. It found there was overwhelming public support for the redevelopment of the Assembly Rooms with 86.7% supporting the use of further public funding to support this.

In Spring 2014 the public were consulted on the proposals and found the public were in favour of the intended redecoration, internal reconfiguration and extension of the building and plans for daytime opening and increased usage.

Plans for closure and customer care

Provision for the temporary closure of the Assembly Rooms from the end of January 2015

has been made and no bookings have been taken beyond this point. Given the gap in available funding it is highly unlikely that work will be able to commence in January 2015. At present it is not possible to confirm when works may take place, however there is a need for a short closure in January to carry out emergency repairs to the building..

Funding and costs

The total estimated cost for the proposed development is £3.687m. The intention was to fund this through a grant of £991,600 from the HLF; £320,000 from Arts Council England; £10,000 from Public donations; £67,500 from Staffordshire County Council; £102,000 in Volunteer time; £1,195,951 from the Staffordshire and Stoke on Trent Local Enterprise Partnership's Single Local Growth Fund and £400,000 from TBC resources allocated through the capital programme. The funding for the remaining £600,000 required has not been secured however prudential borrowing is being examined as a potential option for this shortfall. As the Single Local Growth Fund bid has been unsuccessful for 2015/16 this does leave a substantial gap in funding for the project. As a result the HLF whilst still supportive of the project have informed the Council that due to the gap in committed match funding that when the application is assessed it will be classed as a 'High Risk' project and therefore is unlikely to be successful as it stands. They have therefore suggested that the Council might withdraw the application. However, they have indicated that they would allow the Council a period of 6 months to resubmit the application, either as the same proposal with committed match or a proposal of reduced scale and cost with committed match. If this route is pursued an indicative timetable is as follows:

Submission of revised bid: March 2015
Decision from HLF: June 2015
Appoint contractor: Autumn 2015
Work begins on site: early 2016

2) Philip Dix Centre

The Council had applied for funding from ERDF for funding the proposed Business Enterprise Centre at the Philip Dix Centre. This opportunity arose at short notice as a result of the 2007-2013 programme being extended until December 2015. The bid sought £575k .This application was unsuccessful due to the number of existing projects that applied. Had this bid been successful it is likely that it would have allowed the Business Enterprise Centre project to be implemented, as the case for a modest amount of prudential borrowing by the Council to complete the project budget was very strong. It is still the intention to submit a planning application so that the necessary statutory permissions for this project are obtained. The Council has been advised that the project is a good fit for ERDF funding and that a submission would be encouraged for the next funding programme in 2015-2020 which could be made later this summer.

3) Carnegie Centre

The intention is still to develop the Carnegie centre into a restaurant, offering the building on a long lease to a tenant that would convert the building at their own costs, in exchange for a short rent free period. In order to maximise opportunities for private investment by a restaurateur it would be necessary to ensure that at the very least the surrounding public realm is fully complete, offering an attractive proposition for investors. This part of the Creative Quarter was always envisaged to be completed at the latter stages of the overall project and so is currently on hold.

4) Library

Staffordshire County Council are planning external changes to the library primarily focused around improvement to the church yard entrance and changes to the external ground floor

panels that face the public realm. It is expected that a planning application will be made later on this year.

5) Public Realm

The unsuccessful funding bid to the Single Local Growth Fund (SLGF) via the Staffordshire Stoke on Trent Local Enterprise Partnership (SSLEP) also included funding for the public space between the Carnegie Centre, the Assembly Rooms and the Library. Consequently, progress on this project is stalled. It is still the intention to submit a planning application so that the necessary statutory permissions for this project are obtained.

Summary

The gap in funding for the works to the Assembly Rooms is likely to result in the current HLF bid being unsuccessful. It is recommended that the current bid is withdrawn and then the next 6 months are used to secure the match funding. At the same time an alternative scheme should be worked up which reduces the scale of the proposed works which would require much lower match funding and resubmit. It should be noted that this will only deal with the structural architectural features of the building including essential repairs, conservation works and some improvements to the front of house and commerciality of the building. This would likely see the works to the back of house and the potential for a studio space and extension being excluded and are unlikely to lead to any changes in the ability of the building to improve its revenue position. It is therefore recommended emergency works are carried out in January and that bookings for 2015 are now taken for when the works are complete.

There remain a number of potential sources of match funding for the overall project, including Local Growth Fund, Borough and County Council capital programmes or prudential borrowing and ERDF. It is therefore recommended that the wider Creative Quarter project is promoted as a fall back position should GBSLEP or SSLEP programmes develop any underspend. It is also recommended that the County Council are approached to fund the public realm and Library elements as originally discussed. Furthermore it is recommended that a further bid to the next ERDF funding round is submitted to meet the Enterprise Centre capital costs.

It is also recommended that the necessary planning permissions are obtained for all aspects of the project. Whilst there is a risk that the project does not move forward and therefore the cost of the planning applications will have to be written off, it is considered that by securing planning consent the overall risk to delivery of the project is minimised.

In addition to obtaining all the necessary planning permissions, consideration is being given to tendering for the various works that make up the Creative Quarter project so that real costs are obtained. It is believed that this information will assist in securing the necessary financial resources for the project.

OPTIONS CONSIDERED

- 1) Continue with the existing HLF Round 2 bid and seek to secure the gap funding through prudential borrowing. Given the short timescales from HLF there is not sufficient time to work up a proposal and seek approval prior to determination from HLF of the submission.
- 2) Withdraw the HLF round 2 bid and place the project on hold but keep it fresh so we are able to act quickly subject to emerging opportunities for external funding. It should be noted that the Assembly Rooms will require some element of capital spend to stay open in the short to medium term. Undertake a Service Review based on the future closure of the Assembly Rooms with either a new theatre or without one.

RESOURCE IMPLICATIONS
Creative Quarter Capital costs

	Estimated capital cost	Preferred funding source	Alternative funding source	Alternative funding source
Philip Dix Business Enterprise Project	£575,845	£143,961 TBC Prudential Borrowing £431,884 ERDF	TBC Capital Programme (dependent on sales)	SLGF programmes fallback project.
Carnegie Centre Restaurant	£110,000	£100,000 Private Sector £10,000 TBC	TBC Capital Programme (dependent on sales)	
Library and Public Realm	£341,631	£341,631 SCC Capital Grant	TBC Capital Programme (dependent on sales)	SLGF programmes fallback project.
Assembly Rooms	Development Phase £207,988: Phase 1 £2,879,063 Phase 2 approx £600,000 (if works undertaken at same time as Phase 1) Total Cost £3,687,051	£991,600 HLF; £320,000 Arts Council; £10,000 Public donations; £400,000 TBC; £1,195,951 SLGF; £102,000 Volunteer time; £67,500 Staffordshire County Council and £600,000 TBC Prudential borrowing	TBC Capital Programme (dependent on sales)	SLGF programmes fallback project

It should be noted that at present all General Fund capital resources are currently earmarked for the approved 3 year Capital Programme – therefore no funding would be available unless significant capital receipts from the sale of assets were realised.

Assembly Rooms Reduced Scale Capital works

The table below shows the costs of works considered as essential. All the works listed are included in the HLF round 2 bid. The table doesn't show the costs for the back office reconfiguration and extension. It should be noted that the Council would need to meet these costs in the future in order to keep the Assembly Rooms operating. The phasing of the works is based on the conservation and other technical studies and doesn't account for changes in the buildings condition. The works listed deliver a mix of conservation and commercial improvements which could form the basis of a negotiation with the HLF regarding a reduced

scope for the Round 2 bid. Whilst this delivers a scheme with a smaller funding gap, it is likely to reduce any increase in projected income. This in turn may also impact on the business case for prudential borrowing.

	Year 1-3	Years 3-6	Years 6-10
Damp proofing works	£400k		
Proscenium Arch – repairs	£200k		
External repairs and improvements to the facade		£299k	
Main Hall/stage repairs and improvements		£200k	
Corridor repairs and re-decoration		£44k	
Box office upgrade			£203k
Bar and toilets re-configuration			£352
Period totals	£600k	£543k	£555k
Combined total	£1.698m		
Current HLF Bid	£900k		
TBC match	£400k		
Deficit	£398k		

Revenue costs

A summary of the forecast increased income / cost reductions following the proposed works is outlined below (when compared with the approved 3 year MTFS):

	14/15	15/16	16/17	17/18	18/19
Phil Dix/Carnegie Centres					
(Increased income) / costs	0	(38,190)	(38,660)	(38,840)	(39,050)
Assembly Rooms					
Assembly Rooms	0	(6,520)	(7,620)	(30,850)	(50,690)
Bar	0	15,630	16,300	(238)	(8,310)
Third Party Tickets	0	29,170	30,840	11,170	8,350
Outdoor Events	0	(3,520)	(3,660)	(11,430)	(11,940)
Arts Development	0	(570)	(1,180)	(19,380)	(26,840)
Promotions Budget	0	(27,240)	(27,240)	(27,240)	(27,340)
(Increased income) / costs	0	6,950	7,440	(77,968)	(116,770)

Prudential borrowing

In order to consider borrowing to part-fund the capital works, a return on the investment in

terms of cost reductions and increased income would need to be identified to meet the interest cost together with the statutory annual repayment of debt charge associated with the loan.

The net projected cost reduction / increased income required to finance the interest and repayment costs of a loan of £2m would equate to c.£130k p.a. over 25 years. The projected savings on the revenue budget for the Phil Dix and Assembly Rooms do not achieve this figure until 2018/19.

The evaluation process would also need to consider the potential risks involved in achieving and then sustaining such an ongoing saving for the life of the loan.

LEGAL/RISK IMPLICATIONS BACKGROUND

Detailed Risk Registers for the Assembly rooms project are included in the Appendix. A summary of key risks is as follows:

- Availability of relevant external funding
- Impact on car parking provision
- Relocation of Philip Dix and Carnegie Centre tenants and users
- The need to secure match funding to support a resubmitted HLF application to be made
- Design of an acceptable loading / unloading scheme for the Assembly Rooms
- Diocese of Lichfield faculty permission for works in the churchyard extends project timetable
- Archaeological site investigation finds significant evidence
- Further deterioration in the condition of the Assembly Rooms;
- Impact on the MTFs (Revenue & Capital) of any of the proposed changes.
- The estimated increases in income do not materialise
- The actual cost of the project exceeds the estimated costs

SUSTAINABILITY IMPLICATIONS

BACKGROUND INFORMATION

SSLEP LGF Creative Quarter application for funding
HLF Phase 2 Assembly Rooms application for funding
ERDF Phil Dix Enterprise Centre application for funding

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LIST OF BACKGROUND PAPERS

APPENDICES