

# Cheltenham Borough Council

Council – 11 February 2011

## Update on the Art Gallery & Museum Development Scheme

<b>Accountable member</b>	<b>Cabinet Member for Sport and Culture, Councillor Andrew McKinlay</b>
<b>Accountable officer</b>	<b>Museum, Arts &amp; Tourism Manager, Jane Lillystone</b>
<b>Accountable scrutiny committee</b>	<b>Social and Community</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>The Art Gallery &amp; Museum fundraising campaign has achieved current funding commitments of £4,630,475 towards the Development Scheme total of £6,300,000 - leaving an outstanding shortfall of £1,669,525.</p> <p>To address the funding shortfall, the Art Gallery &amp; Museum have submitted a second-round bid to the Heritage Lottery Fund (HLF) for £750,000; and further funding applications / approaches for £369,525 through the Development Trust. The aim is to reach a total of £5,750,000, for construction to start in summer 2011.</p> <p>To complete the overall funding target, it is proposed to raise the final £550,000 through the Phase III campaign, to be launched from April 2011, and completed by December 2011.</p> <p>The decision on the outcome of the HLF bid will be announced during March 2011. Recent changes with the Heritage Lottery have resulted in the need to ensure that the fundraising campaign either secured or had underwritten £5,550,000 – before the second-round application could be submitted.</p> <p>As a result of the changes to Heritage Lottery Funding a report was taken to Cabinet on 26<sup>th</sup> October 2010, to consider a number of funding options regarding the Scheme. Cabinet resolved to support the underwriting of any shortfall to the £5,550,000 funding required for the Development Scheme (excluding the £750k HLF bid) up to a maximum of £922,000 and to recommend to Council that this is agreed as part of the budget process for 2011/12.</p>
<b>Recommendations</b>	<ol style="list-style-type: none"><li><b>1. Cabinet recommend that Council, subject to a wholly successful HLF bid, approve the underwriting of any shortfall to the £5,550,000 funding required for the Development Scheme up to a maximum of £922,000.</b></li><li><b>2. Approve the final project cost of £6.3m as outlined in the report.</b></li></ol>

## Financial implications

There is a current shortfall in total funding of £1.669m, as shown in paragraph 1.6 to this report. A successful Heritage Lottery Fund award of £750k would reduce the overall project shortfall to circa £919k. The Cabinet are recommending that this shortfall is underwritten to a maximum value of £922k. There are a number of scenarios which need to be considered:

- 1) The council receive the full £750k from a successful lottery application but no further funds can be raised, requiring the council to fund up to the maximum amount of the underwritten sum of £922k.
- 2) The council receive less than £750k from a successful lottery application which would mean that, depending on other fundraising activity, the maximum amount underwritten could be exceeded.
- 3) The council is unsuccessful in its lottery application and the council is faced with a shortfall up to £1.669m which could mean that, depending on other fundraising activity, the maximum amount underwritten would be exceeded.

If scenario 1 were to materialise, the council may need to re-assess the priority of existing funding streams or reserves, consider the use of any future capital receipts or could consider prudential borrowing.

In considering existing funding streams or reserves, Members would need to decide which other programmes of activity would not be undertaken e.g. planned maintenance or capital investment.

In considering the use of future capital receipts, Members need to be mindful of their alternative use i.e. the potential to make treasury management decisions (repay debt premium) which could help address the projected funding gaps and avoid future cuts in services. As a rough guide, a capital receipt of £1m could result in a circa £90k revenue saving.

Turning to prudential borrowing, given the MTFS projections it is difficult see how the council could fund the cost of prudential borrowing (as a rough guide, every £1m of prudential borrowing would cost circa £90k per annum) unless:

- (i) the business plan for a new building produces a saving over and above that assumed in the BtG programme (£50k) to finance the borrowing costs
- (ii) the outcome of a commissioning exercise for leisure, which may not be for some time, generated enough savings to finance the borrowing costs or
- (iii) the council made cuts to other council services to finance the borrowing costs.

Should scenario 2 or 3 materialise, given the uncertainty of the council's financial position I would recommend that the council fully re-consider the project, taking into account the very latest position on capital receipts and the fundraising activity. Given the current financial outlook for the council, as Section 151 Officer, I would have strong reservations that funding any sum above the proposed amount of £922,00 recommended for underwriting could be afforded unless potential mitigating plans outlined in (i) to (iii) above were developed.

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<b>Legal implications</b>	<p>The existing contractual arrangements may need to be terminated if the Council does not resolve to underwrite the finances and the development scheme terminates in consequence.</p> <p><b>Contact officer: Nicolas Wheatley, Solicitor</b>  <b>nicolas.wheatley@tewkesbury.gov.uk, 01684 272 695</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>None as a direct result of this report.</p> <p><b>Contact officer: Julie McCarthy,</b>  <b>julie.mccarthy@cheltenham.gov.uk, 01242 26 4355</b></p>
<b>Key risks</b>	<p>The Art Gallery &amp; Museum Development Scheme is included within the corporate risk register and a risk assessment is shown in Appendix 1 to this report.</p>
<b>Corporate and community plan Implications</b>	<p>The Art Gallery &amp; Museum Development Scheme is included within the corporate business plan (2010-11) within the outcome: <i>Arts and culture are used as a means to strengthen communities, strengthen the economy and enhance and protect our environment</i>, and specifically under 'improvement actions', as: <i>Start work on the Art Gallery and Museum extension project.</i></p>
<b>Environmental and climate change implications</b>	<p>Sustainability, and the impact of environmental /climate changes, has been a core requirement of the design scheme for this project. Taking into account the relationship between highly controlled environments for the exhibition galleries and collections stores – the design and construction of the new development will use a mixture of both passive and active features towards building energy efficiency i.e. using natural/reclaimed materials in construction, including natural ventilation (where feasible) and the integration of brise-soleil on the south-facing façade, through to installing high efficiency condensing boilers (running at low temperatures to maximise performance). The whole scheme is also currently going through a bespoke BREEAM assessment – and through a range of measures – including consultation with local stakeholders, adherence to good practice ventilation rates, the re-use of previously adopted land and the minimum emission of nitrogen oxides from the heating source – the proposal aims to achieve the best possible BREEAM rating, practicable in line with the aspirations of Cheltenham Borough Council.</p>

## 1. Background

- 1.1 In April 2005 Cabinet commissioned a strategic review report on culture in Cheltenham, to ensure this was healthy and developing in a sustainable way. The Cultural Review document was approved by Cabinet in March 2006 – outlining the major conclusions and the Council actions to be taken as a result of the findings, which included outline proposals for the construction and refurbishment costs of £4m, as part of a development scheme at the Art Gallery & Museum.
- 1.2 Since the DPA review, progress on the scheme has been steadily maintained, and in June 2007, a two-stage RIBA Open Design Competition was launched. The competition brief asked for a design solution that could provide larger temporary exhibitions spaces, improved storage / archive / display areas, general improvements for enhanced visitor facilities and a new pedestrian link between Clarence Street and Chester Walk. A total of 77 international entries were received, and following two stages of public consultation, shortlisting and views from an expert Advisory Panel and the Competition Jury Panel, the architects, Berman Guedes Stretton (an Oxford / London based practice) were appointed.
- 1.3 A fundraising strategy has been developed which proposes three stages of fundraising. Phase 1 was launched from May 2008 with a significant allocation from the Summerfield Charitable Trust of £750k - following the final judging for the RIBA Open Design Competition in January 2008. Their proposal was conditional upon the Council allocating a further £2m towards the fundraising campaign (in addition to the £0.5 million earmarked from the sale of the former Axiom building) - and in July 2008 the Council made a commitment to contribute £2 million to the redevelopment of the Art Gallery & Museum. The Midwinter redevelopment was expected to deliver this £2 million contribution. However, with negotiations over Midwinter still ongoing, it was prudent to look for other sources for this capital.
- 1.4 The 2009/10 budgets – agreed by Full Council in February 2009 – proposed to create a £2 million Art Gallery & Museum Development Reserve, which was funded by way of £1,684,300 allocation from the EU Restoration Grant and a £315,700 contribution from the Capital Reserve. This support, and commitment from the Council, ensured that the campaign maintained momentum and credibility – and by June 2009, Phase I (fundraising) had reached £3,300,000 million.
- 1.5 To assist further with the fundraising a Development Trust has also been established (during September 2008), and this has enabled the AG&M to access significant grants and donations - which might not otherwise be forthcoming.
- 1.6 Since the launch of the Phase II fundraising campaign in November 2009, an additional amount of £1,230,475 has been fundraised from foundations/trusts. Offers have recently been received from the University of Gloucestershire for £60k and a further £40k from the Friends of Cheltenham Art Gallery & Museum's 100k club. (The friends of the AG&M have already contributed £150k to date and have indicated that they are seeking to raise a further £100k). These offers will bring the total funding Phase II commitments to £1,330,475. The overall total of funding commitments is therefore £4,630,475, leaving an outstanding shortfall of £1,669,525 against the overall target of £6.3m.

To address this shortfall, the Art Gallery & Museum have been working on a second-round bid to the Heritage Lottery Fund (HLF) for £750k; and further funding applications /approaches for £369,525 are being pursued.

The aim is to reach a total of £5,750,000, to enable construction to start during 2011, in line with proposed timescales / key milestones. To complete the overall target, it is proposed to raise the final £550,000 through a Phase III fundraising campaign – to be launched from April 2011, and completed by December 2011.

A summary of the current funding position of the project is as follows:-

<b>Phase</b>	<b>Target</b>	<b>Achieved</b>	<b>Shortfall</b>	<b>Timescale</b>
Phase I	£3,300,000	£3,300,000	£0	March 2009
Phase II	£2,450,000	£1,330,475	£1,119,525	March 2011
Phase III	£550,000	-	£550,000	December 2011
<b>Total</b>	<b>£6,300,000</b>	<b>£4,630,475</b>	<b>£1,669,525</b>	

1.7 A first-round application was submitted to the HLF in November 2009 (for a grant of £750k); and in March 2010, they confirmed that the bid had passed the first-round. The submission of the second-round stage was due by the end of November 2010 – and a decision on the outcome will be announced during March 2011. However, HLF indicated that the fundraising campaign would need to have secured or underwritten (excluding their grant) the shortfall amount, before the second-round application could be submitted. Therefore, in the light of the HLF decision, a report was taken to Cabinet on 26<sup>th</sup> October 2010, to determine which options (outlined briefly below) should be pursued – with both options 1 and 2 requiring the Council to underwrite the shortfall for the submission of the HLF second-round bid.

<b>Option 1</b>	<b>Close the Art Gallery &amp; Museum from 1<sup>st</sup> January 2011 – in line with the current timescales to commence the de-canting programme of the collections, stores, facilities and office spaces / equipment etc.</b>
<b>Option 2</b>	<b>Delay the closure of the Art Gallery &amp; Museum until 31<sup>st</sup> March 2011 - when the HLF decision is known.</b>
<b>Option 3</b>	<b>Re-scope the current design for a scheme costing £4.5 million</b>
<b>Option 4</b>	<b>Re-scope the current design for a scheme costing £2.5 million</b>
<b>Option 5</b>	<b>Abandon the Development Scheme project</b>

The decision from the meeting, resolved that:

1. Option 2 is pursued as the best option.
  2. The cabinet supports the underwriting of any shortfall to the £5,550,000 funding required for the Development Scheme up to a maximum of £922,000 and Cabinet recommend to council that this is agreed as part of the budget process for 2011/12.
- 1.8 Progress is also continuing on the Phase II Fundraising Campaign. The second-round bid to HLF for £750k was submitted on 19<sup>th</sup> November 2010 – with a decision expected in early March 2011. Assuming a successful lottery award of £750,000, the shortfall from Phase II would be £369,525. The Development Trust are still committed to ensuring that this shortfall is pledged confirmed by summer 2011 – and that the Phase III Fundraising Campaign (to raise the final £550,000) is launched from April 2011. In the event of the HLF being successful it is proposed that the Art Gallery & Museum will be shut from 1<sup>st</sup> April 2011.

1.9 For the de-canting of the on-site stores, galleries, facilities and offices, the Art Gallery & Museum have been allocated a larger store at the Depot and a ground-floor shop space (3 St. Georges

Place) - for the location of a temporary base for family activities - during the closure period. The AG&M are not being charged rental for these spaces – just covering costs for Business Rates, heating and security systems.

- 1.10 The AG&M has also partially closed the Summerfield Galleries (from the 20<sup>th</sup>-century area, and including the Arts and Crafts Collection Movement gallery), from 20<sup>th</sup> September, so that work can begin on the start of the refurbishment work for the Arts and Crafts Collection Movement gallery – the grant (funded by the Museum, Libraries, Archives Council) needs to be spent by March 2011.
- 1.11 A series of off-site exhibitions and projects, under the banner ***Off the wall, on the move***, are being planned throughout the closure period. These will take place in and around Cheltenham, in partnership with other organisations and venues. The overall objective of the activities will be to provide a lively and inspiring programme through which the Art Gallery & Museum can consult, engage and develop new audiences – as well as continuing to engage and interact with current audiences.
- 1.12 A number of partnerships are currently being pursued for the long-term future of the Art Gallery & Museum. In particular, an approach has been made (by the AG&M) to the University of Gloucestershire (Faculty of Media, Art & Communications), for a possible collaboration in hosting their existing touring exhibitions (in the light of their closure of the Summerfield Gallery / Pittville Campus), evening events / workshop sessions for students, and also offering work /project placements for post-graduate courses. Further meetings are being arranged with the University and the Summerfield Trust (who originally grant-aided funding for the Summerfield Gallery) – to date, the University have offered £60k towards the Development Scheme fundraising campaign (as outlined above) - and discussions are ongoing.
- 1.13 The AG&M is also in discussions with a Gloucestershire-based crafts guild to operate from the ground floor retail area within the new development scheme. The aim will be to create a 'crafts hub' within the new development, linking into the AG&M's designated Arts and Crafts Movement collection, and in turn, supporting the local economy / creative industries.

## **2. Progress to Date - Building Scheme Design**

- 2.1 Work has now been completed up to Stage F (within the RIBA Design Stages) - which in effect means collating and issuing detailed information / drawings for planning conditions and Building Regulations – including architectural, structural and M&E production information. The AG&M have also been advised by the Quantity Surveyors, Davis Langdon (QS), that work for producing and managing the tendering process for the contractors should start this winter / spring – in order to ensure that the contractors costs can be confirmed and fixed. Meetings have subsequently been arranged with the Council's Procurement Officer - to advise the QS on the preparation of the OJEU notice (to conform with CB Council procurement procedures) – and the OJEU notice was published on 28<sup>th</sup> January 2011.

### **2.1.1 Planning Application**

- 2.1.2 A planning application was submitted initially in February 2009 – prior to this submission, a public display of the design scheme was held at the AG&M, and visitors / local interest groups had the opportunity to consult with the architects on the design. This application however, was withdrawn in April 2009, to allow more time to review various elements of the design with English Heritage and CABE. After further consultation, a revised application for planning permission was submitted at the beginning of June 2009, and the Planning Committee of Cheltenham Borough Council approved planning permission for the revised designs on 23<sup>rd</sup> July 2009. Subsequently, by separate letters both dated 25 August 2009, the Secretary of State for Communities and Local Government has granted Listed Building Consent to carry out works in connection with the extension and Conservation Area Consent for the demolition of 53 and 55 Clarence Street and two derelict cottages on Chester Walk. The Secretary of State became involved because a local authority is not authorised to grant itself Listed Building Consent or Conservation Area Consent.

### 2.1.3 Design Changes

2.1.4 The approved plans for the new extension will still provide 475 sq metres of additional gallery space, with additional storage / study facilities and dedicated areas for lifelong learning, education outreach services and arts development programmes. The ground floor provides a more prominent and accessible entrance to the Art Gallery & Museum – with a café, shop and reception / new tourist information area – creating a pedestrian route through the building from Clarence Street to Chester Walk (designed to draw people into the building from the street), and opening up a ‘new gateway’ to St Mary’s Church. The revised designs also include a new roof- top terrace, providing views out to the church. The building is designed to be eco-friendly – using a mixture of both passive and active features towards building energy efficiency i.e. using natural / reclaimed materials in construction, including natural ventilation and the integration of brise-soleil (where feasible), installing high efficiency condensing boilers (running at low temperatures) and commissioning a feasibility study for incorporating a ground source heating system – and the whole scheme will go through a BREEAM assessment.

### 2.1.5 Value Engineering

2.1.6 As the design scheme has progressed, rigorous Value Engineering (VE) has take place to ensure that value is optimised for both the design scheme and the budget. This means that construction and project costs (including building materials) have been extensively reviewed to ensure that money is being spent appropriately in relation to the project design. The original target of £4 million for construction and refurbishment has been met (based on one-stage construction), and from a cost assessment undertaken during Stage D (post-Planning Application) costs are continuing to remain within budget. The overall project will cost £6.3 million and includes the impact of design changes outlined above as well as construction / refurbishment, prelims / contingencies, fees / surveys and full galleries fit-out.

## 3. Consultation and feedback

3.1 Extensive consultation with the public, key stakeholders and organisations has been at the core of the commissioning / procurement process for the Development Scheme project, from the launch of the Royal Institute of British Architects Open Design Competition to a permanent public display of the design scheme at the Art Gallery & Museum.

3.2 Throughout this period (and prior to the planning application), the architects have given several presentations of the design scheme to interested groups, such as the Cheltenham Civic Society and Friends of Cheltenham Art Gallery & Museum. Design consultation meetings have also been held with the wider AG&M team (including volunteers), the Summerfield Trust, AG&M Development Trust, Friends CAG&M Committee meetings, CBC: Cabinet / Social and Community O&S Committee, Strategic Board, Planning, Heritage & Conservation and Building Control, as well as English Heritage and CABE South West (Commission for Architecture and the Built Environment).

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<b>Appendices</b>	1. Risk Assessment.

<b>Background information</b>	Culture in Cheltenham – Planning for a Sustainable Future : David Pratley Associates Report 2005  Cabinet Reports : March 2006, April 2007, April 2008, September 2009 October 2010  Council Reports: July 2008, February 2009 (Budget Setting Council)
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Risk Assessment – Art Gallery Museum Development Scheme – Council Report Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	Contractual: If the Art Gallery & Museum Development Scheme does not proceed the council are contractually liable for fees associated with the completion of the project.	SP	May 2008	1	1	2	Accept	Contracts have been awarded in accordance with the RIBA practice. Therefore all payments are made on a staged payment basis and therefore the council are not liable to any additional beyond the stage that the scheme has reached Stage F.	Oct 2010	SP	Yes
1.02	Reputation: If the Art Gallery & Museum Scheme is aborted this may result in negative and adverse publicity in the media as well as criticism by stakeholders and funding partners which may reflect poorly on the reputation of the on the council.	SP	Oct 2010	4	6	24	Reduce	Ensure communication strategy is in place with the media & key stakeholders.  However, this risk may be reduced as a result of the current economic climate, as the public and stakeholders may be sympathetic to the reduction in funds available since the original development scheme proposals were drawn up.	Oct 2010	SP	Yes
1.03	External: If the council aborts the	JL	Oct 2010	3	6	18	Reduce	Provide future funding partners\organisations	TBC	SP	No

	Development Scheme there is a risk that any future funding bids in respect of the AG&M may be unsuccessful							with necessary assurances\ guarantees prior to submission.			
1.04	Financial: If the AG&M Development Scheme is not effectively project managed there is a risk of the scheme failing to be delivered within the capital budget.	AD Wellbeing & Culture	June 2007	3	4	12	Reduce	Prince II project management controls to be put in place for building construction phase. Provision has been made with the Development Schemes budget for appointment of a dedicated project manager for the scheme, based on similar appointments to previous capital investment build projects : Redevelopment Cheltenham Recreation Centre Leisure@ (2004-6) & Leisure@ Flood Reinstatement Project (2007-8)	Project plan milestone : Appointment of Project Manager - December 2010 – this date will be revised, pending the outcome of the Council report.	Museum and Arts Manager Jane Lillystone	Yes