

Cheltenham Borough Council
Cabinet – 26 October 2010
Update on the Art Gallery & Museum Development Scheme

Accountable member	Cabinet Member Sport and Culture, Councillor Andrew McKinlay
Accountable officer	Museum, Arts & Tourism Manager, Jane Lillystone
Accountable scrutiny committee	Social and Community
Ward(s) affected	All
Key Decision	Yes
Executive summary	<p>The Art Gallery & Museum fundraising campaign has achieved funding commitments of £4,527,800 towards the Development Scheme total of £6.3m - leaving an outstanding shortfall of £1,772,200.</p> <p>The Art Gallery & Museum are working on a second-round bid to the Heritage Lottery Fund (HLF) for £750k; and further funding applications / approaches for £475k through the Development Trust. The aim is to reach a total of £5,750,000, for construction to start from spring 2011.</p> <p>The submission of the second-round stage HLF bid is due by the end of November 2010 – and a decision on the outcome will be announced during March 2011. Recent changes with the Heritage Lottery has resulted in the need to ensure the fundraising campaign either secures or underwrites £5,550,000 of which council underwrites £1,022m, – before the second-round application can be submitted.</p> <p>It is unlikely that the funding level required by HLF will be secured by November. Therefore, Cabinet now needs to determine which of the options identified within this report it wishes to pursue; in light of the changed position of HLF.</p>
Recommendations	Cabinet to determine which option(s) identified within this report, are to be pursued.

<p>Financial implications</p>	<p>An initial assessment of the outline financial implications and issues are set out in the report.</p> <p>The budget, approved by Council in February 2010, provides for the full annual cost of running the Art Gallery & Museum service in 2010/11. The approved medium term financial strategy includes the net budget for the existing service and has not been adjusted to reflect any reduction in net costs during a period of closure.</p> <p>Option 1 will create one-off savings in the net cost of the service for the period of closure. There will be a financial implication to the council if the £750k HLF bid is not successful and /or the £1.022m other external funding is underwritten by the council, but not secured. It should be stressed that there are no existing funds available to underwrite this funding should it be required.</p> <p>Option 2 will create one-off savings in the net cost of the service for the period of closure. There will be a financial implication to the council if the £1.022m other external funding is underwritten by the council, but not secured. As with Option 1 it should be stressed that there are no existing funds available to underwrite this funding should it be required.</p> <p>Option 3 will create one-off savings in the net cost of the service for the period of closure. There will be additional costs incurred if the design is re-scoped in line with existing funding commitments of £4.5m and a further financial implication to the council if any of the external funding commitment is withdrawn. It should be stressed that there are no existing funds available to fund any additional costs or replace any loss of external funding.</p> <p>Option 4 will create one-off savings in the net cost of the service for the period of closure. There will be additional costs incurred if the design is re-scoped in line with the council's committed funding of £2.5m. It should be stressed that there are no existing funds available to fund any additional costs.</p> <p>Option 5 will release the council's £2.5m committed funding, for other future use. The aborted costs of £592k to date, to design stage F would be irrecoverable.</p> <p>In accordance with 4.1(b) of the Constitution the decision to underwrite this level of funding needs to be made by full Council</p> <p>Contact officer: Sarah Didcote, Group Accountant</p> <p>sarah.didcote@cheltenham.gov.uk, 01242 264125</p>
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Legal implications	<p>If option 5 is chosen then the existing contractual arrangements may be terminated as each contract is based on activity/staged implementation of the development scheme.</p> <p>Contact officer: Shirin Wotherspoon, shirin.wotherspoon@teWKesbury.gov.uk, 01242 272017</p>
HR implications (including learning and organisational development)	<p>The employees at the AGM have been fully engaged with the project since its conception. Whilst they acknowledge the difficult financial climate that we are in at this time any changes to the current plan and timescales would impact on the moral and motivation of the team.</p> <p>The development scheme proposals in their current format (options 1&2) offer an opportunity to re-locate the tourist information centre to the AG&M building. A staffing restructure is about to commence and although a number of existing employees will be placed at risk, there are no anticipated redundancies arising. Employees will be ring-fenced for suitable alternative roles in the re-designed structure that will be required to run the enhanced service offering.</p> <p>If Option 3, 4 or 5 were to be chosen, this would impact on the plans to fully integrate the Tourist Information Centre the AGM establishment and impact on any further efficiencies savings.</p> <p>Contact officer: Julie McCarthy, Julie.McCarthy@chEltenham.gov.uk, 01242774355</p>
Key risks	<p>The Art Gallery & Museum Development Scheme is included within the corporate risk register – there is also an additional service risk register, which is being used to support funding applications. Copies of both these documents have been included in the Appendices.</p>
Corporate and community plan Implications	<p>The Art Gallery & 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>

Environmental and climate change implications	<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>
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1. Background

- 1.1** A progress report on the Art Gallery & Museum (AG&M) Development Scheme was approved by Cabinet in September 2009. The report also included the following recommendations:
- i) To approve the launch of the Development Scheme Phase II Fundraising Campaign and a bid to the Heritage Lottery Fund
 - ii) To delegate authority to the Borough solicitor and Monitoring Officer to draw up and execute legal agreements as appropriate between the Council, the Art Gallery & Museum Development Trust, any charitable trusts or bodies to secure the contributions made by the Council and other organisations towards the Development Scheme.
- 1.2** These recommendations were in response to a significant funding allocation from the Summerfield Charitable Trust of £750k towards the Phase I Fundraising Campaign – 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.
- 1.3** 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.
- 1.4** Since the launch of the Phase II Fundraising Campaign (from September 2009), an additional amount of £1,227,800 has been fundraised from foundations / trusts – including a grant from the Museums, Libraries, Archives Council. This brings the current total of funding commitments to £4,527,800 - which leaves an outstanding shortfall of £1,772,200 - out of the overall target of £6.3 million. To address this shortfall, the Art Gallery & Museum are working on a second-round bid to the Heritage Lottery Fund (HLF) for £750k; and further funding applications / approaches for £475k, are being pursued through the Development Trust and the Friends of CAG&M – who have indicated that they are seeking to raise a further £100k on top of their current contribution of £150k (which is included within the current overall total). The aim is to reach a total of £5,750,000, for construction to start from spring 2011 (in-line with proposed timescales / key milestones). To complete the overall target, it is proposed to raise the final £550k through a Phase III Fundraising Campaign – to be launched from April 2011, and completed by December 2011.
- 1.5** A first-round application was submitted to the HLF in November 2009 (for a grant of £750k); and from March this year, they confirmed that the bid had passed the first-round. The submission of the second-round stage is due by the end of November 2010 – and a decision on the outcome will be announced during March 2011. However, HLF have indicated that the fundraising campaign will now need to have secured or underwritten (excluding their grant) an additional amount of £1,022,200 – before the second-round application can be submitted. The HLF Grants Officer has stated that: “In prioritising applications for support the Committee will consider carefully a variety of risk factors including how likely the project is to secure the match funding required. Where projects can demonstrate that the match funding is secured, or underwritten this will give the Committee confidence that the project is viable and is in a position to commence on

site quickly”.

- 1.6** With regards to progress on the design scheme, 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 autumn – in order to ensure that the contractors costs can be confirmed and fixed. A meeting has 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).
- 1.7** 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. The AG&M has also partially closed the Summerfield Galleries (from the 20th-century area, and including the Arts and Crafts Collection Movement gallery), from 20th 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.
- 1.8** 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 (this is in addition to the current overall total of £4,527,800) - and discussions are ongoing. 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.
- 1.9** A summary of the overall funding of the project is as follows:

Phase	Target	Achieved	Shortfall	Timescale
Phase 1	£3,300,000	Trusts: £750,000 Friends: £50,000 CBC:£2,500,000		March 2009
Total 1	£3,300,000	£3,300,000	0	
Phase 2	£2,450,000	@ 09/10:		December 2010 / March

		Trusts: £1,027,800		2011
		Friends: £100,000		
		MLA: £100,000		
Total 2		@ 09/10 £1,227,800	£1,222,200	March 2011
Total 3	550,000	0	550,000	December 2011
Overall Total	£6,300,000	£4,527,800	£1,772,200	July 2011

Applications

Phase	Target	Potential funder	Amount	Timescales
Phase 2	£1,222,200	@ 09/10: Trusts: Outreach room / Education Exhibition space UoG: Partnership match-funding Friends: Museum Fellowship group	£225,000 £150,000 £100,000	March'11 November'10 November'10

		HLF: Second-round bid	£750,000	March'11
Total 2			£1,225,000	
Overall Total 2			£5,752,800	March 2011
Overall Total 3			£550,000	December 2011
Overall Total	£6,300,000			

Phase III Fundraising Campaign

Proposals:

Planning work will start on the Phase III Fundraising Campaign from November 2010. The Campaign will consist of three main areas: Corporate, Trusts and a Public Appeal. The Corporate and Public appeals will launched from January 2011.

Timescales:

Phase	Target	Potential funder	Amount	Timescale
Phase 3	£550,000	@ 09/10		
		Corporate: Membership Scheme	£350,000	August'11

		Trusts:	£150,000	September'11
		Public:		
		Donations	£50,000	December'11
Overall Total 3			£550,000	

2. Options Appraisal

The five options are:

Option 1	Close the Art Gallery & Museum from 1st January 2011 – in line with the current timescales to commence the de-canting programme of the collections, stores, facilities and office spaces / equipment etc.
Benefits	To deliver Option 1: a) This would ensure that the current timescales are achieved, and progress on the development scheme maintains momentum (i.e. the de-canting programme will be completed by April 2011) b) It would also ensure that the set of terms and conditions from the various grant funding organisations are met – which stipulate that they will only make the grant payments if the proposed timescales are adhered to (i.e. completing the Development Scheme for autumn 2012)
Concerns	To deliver Option 1: a) We would need to lever in the outstanding amount of c. £1.2 million (excluding the second-round application to HLF), through either securing or underwriting the shortfall by March 2011 b) We would also need to submit the second-round bid to HLF for a possible grant of £750k, by the end of November 2010 – to secure a decision by March 2011
Risks / Uncertainties	a) All the extra funds required are not raised leaving the Council with up to c. £1.77 million funding deficit to resolve b) The Council would have two choices if funds are not raised:- 1) To find the necessary funds from within its own resources, this would not be easy in the current financial climate 2) Delay the development resulting in the Art Gallery & Museum remaining closed until

	<p>funds where available. This would run the risk of the Art Gallery & Museum remaining closed for a protracted period</p> <p>c) There would be no guarantee that the second-round application will be successful – as we will still be in competition for funding with other heritage-based projects</p>
Sensitivities	<p>Not to deliver Option 1:</p> <p>a) This could have a detrimental impact on the reputation of the Development Scheme project (with particular regards to fundraising, current support and future partnerships), as well as the credibility of the Council, in potentially delivering other schemes</p> <p>b) There would also be immediate concerns for the morale of staff, key stakeholders and supporters of this project</p> <p>To deliver Option 1:</p> <p>c) This would need to be handled sensitively as it may result in negative and adverse publicity in the media given the significant budget reductions/ cutbacks facing the public sector and local government.</p>

Option 2	Delay the closure of the Art Gallery & Museum until 31st March 2011 - when the HLF decision is known.
Benefits	<p>To deliver Option 2:</p> <p>a) This would ensure that the closure of the Art Gallery & Museum (and the start of the de-canting programme), would only commence once a decision on the second-round submission had been received from HLF (during March 2011)</p>
Concerns	<p>To deliver Option 2:</p> <p>a) As with Option 1 – we would still need to submit the second-round bid to HLF for a possible grant of £750k, by the end of November 2010 – to secure a decision by March 2011</p> <p>b) As with Option 1 - we would still need to lever in the outstanding amount of c. £1.2 million (excluding the second-round application to HLF), through either securing or underwriting the shortfall by March 2011</p>
Risks / Uncertainties	<p>To delay the closure of the Art Gallery & Museum:</p> <p>a) This will have an impact on the closure and start of the de-canting programme, and consequently delay the start of construction and completion of the project</p> <p>b) This could potentially jeopardise the confirmed grant payments from the trusts / foundations, and put at risk the current total amount of just over £2 million - raised so far through the Phase I / II Fundraising campaigns</p> <p>If we submit the HLF second-round application:</p> <p>c) As with Option 1 – there would be no guarantee that the second-round application will be successful – as we will still be in competition for funding with other heritage-based projects.</p>
Sensitivities	Not to deliver Option 2:

	<p>a) We would need to consider the other four options</p> <p>To deliver Option 2:</p> <p>b) We would need to undertake extensive consultation with key stakeholders and supporters to minimise any adverse publicity with regards to any subsequent delays on the project and completion of the scheme</p> <p>c) As with Option 1 - this would still need to be handled sensitively as it may result in negative and adverse publicity in the media given the significant budget reductions/ cutbacks facing the public sector and local government.</p>
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Option 3	Re-scope the current design for a scheme costing £4.5 million
Benefits	<p>To deliver Option 3:</p> <p>a) This would involve re-scoping the design for c. £4.5 million – in line with the current overall funding commitments</p>
Concerns	<p>To deliver Option 3:</p> <p>a) A re-scoping of the current design will involve additional costs, as the scheme has currently reached Stage F – which means that the designs are now finalised (architectural, structural and M&E drawings), including the information for planning conditions / Building Regulations and tender documentation</p> <p>b) The Design Team have also advised that a revision to the design would require a re-submission to the planning committee</p> <p>c) We would need to consult with all of the funders to ascertain if they would still want to be involved with a revised project / design scheme – and this could have implications on the funds already committed</p>
Risks / Uncertainties	<p>If the Design Team re-scope the current project:</p> <p>a) There could still be a delay to the timescales, as a re-design will require additional work</p> <p>b) There will also be additional costs – and these are currently being investigated</p> <p>c) If the additional costs are included within the revised £4.5 million budget, then this could have further implications for the quality and scope of the design</p> <p>d) The current confirmed grant awards could also be at risk from either being withdrawn or reduced - in response to a revised design proposal</p>
Sensitivities	<p>Not to deliver Option 3:</p> <p>a) We would need to consider the other four options</p> <p>To deliver Option 3:</p> <p>b) We would need to consult extensively with key stakeholders and supporters in determining whether the same level of support would remain intact</p> <p>c) We would also need to consider what the impact of re-scoping the design would have</p>

	on future fundraising and partnership opportunities
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Option 4	Re-scope the current design for a scheme costing £2.5 million
Benefits	To deliver Option 4: a) This would involve re-scoping the design for £2.5 million – in line with the current funding commitment from the Council
Concerns	To deliver Option 4: a) A re-scoping of the current design will involve additional costs, as the scheme has currently reached Stage F – which means that the designs are now finalised (architectural, structural and M&E drawings), including the information for planning conditions / Building Regulations and tender documentation b) The Design Team have also advised that a revision to the design would require a re-submission to the planning committee
Risks / Uncertainties	If the Design Team re-scope the current project: a) There could still be a delay to the timescales, as a re-design will require additional work b) There will also be additional costs – and these are currently being investigated c) If the additional costs are included within the revised £2.5 million budget, then this could have further implications for the quality and scope of the design
Sensitivities	Not to deliver Option 4: a) We would need to consider the other four options To deliver Option 4: b) As with Option 3 - we would need to consider what the impact of re-scoping the design would have on future fundraising and partnership opportunities

Option 5	Abandon the Development Scheme project
Benefits	To deliver Option 5: a) This would involve stopping work on the Development Scheme – and not using the current funding commitment of £2.5 m from the Council, and c. £2 m from external trusts / foundations
Concerns	To deliver Option 5: a) This would have a detrimental impact on the reputation of the Art Gallery & Museum – with particular regards to current support within the wider museums / arts community b) This could also, potentially, effect future fundraising projects / schemes, and future partnerships with other organisations, museums / art galleries

Risks / Uncertainties	<p>If the Development Scheme is stopped:</p> <p>a) This could have a detrimental impact (as well as credibility) on the reputation of the Council, in potentially delivering other investment / development schemes</p> <p>b) Costs have already been incurred (since the start of the project), as the scheme is now at Design Stage F – and these would need to be considered</p>
Sensitivities	<p>Not to deliver Option 5:</p> <p>a) We would need to consider the other four options</p> <p>To deliver Option 5:</p> <p>b) There would be immediate concerns for the morale of staff, key stakeholders and supporters of this project</p> <p>c) As with Options 3 and 4 - we would need to consider what impact on stopping the project would have on future fundraising and partnership opportunities</p>

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. 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).

Report author	Jane Lillystone, Museum & Arts Manager
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Corporate Risk Register
Background information	<ol style="list-style-type: none"> 1. Cabinet papers March 2006, September 2007, April 2008, September 2009

The risk Art Gallery & Museum Development Scheme Options appraisal				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	Date when architects were first appointed	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 will result in negative and adverse publicity in the media as well as criticism by stakeholders and funding partners which will 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.	Oct 2010	SP	Yes
1.03	External: If the council aborts the Development Scheme there is a risk that any future funding bids in respect of the AG&M will be unsuccessful.	JL	Oct 2010	3	6	18	Reduce	Provide future funding partners\organisations with necessary assurances\guarantees prior to submission.	TBC	SP	No
1.04	Financial: see financial implications and options appraisal within main body of report										

