

COMMITTEE:	CABINET
DATE:	10TH APRIL 2002
SUBJECT:	SRB THE CULTURAL HUB, DEVONSHIRE PARK, PROGRESS AND FUNDING
REPORT OF:	RON CUSSONS, DIRECTOR OF TOURISM & LEISURE AND SUE MCHUGH, DIRECTOR OF FINANCE AND CORPORATE SERVICES
Ward(s):	All
Purpose:	To allow members of Cabinet to decide whether to continue to support the Hub project in the light of further information received from funding partners, alternatives available and the financial implications. Three options present themselves:
	<ul style="list-style-type: none"> • To support the original proposal to raise £8.5million and to underwrite the current £1.5million funding gap.
	<ul style="list-style-type: none"> • To support a phased scheme limiting the project to £7million initially and only increasing it to the original £8.5million when all the funds are secured. This will not require this Council to underwrite the current funding gap.
	<ul style="list-style-type: none"> • To withdraw from the original proposal and to explore opportunities for funding to upgrade the current existing facilities.
Contact:	Ron Cussons, Director of Tourism and Leisure Telephone 01323 415401. Sue McHugh, Director of Finance and Corporate Services Telephone 01323 415104 or internally on extension 5104.

Recommendations:	Members to advise on the option they wish to pursue. Either:
	(a) Agree to:
	- reaffirm support for the original proposal;
	- recommend to Council on 27th April that EBC underwrites the funding gap up to a maximum of £1.5 million, subject to the risk sharing arrangements detailed in para 3.3;
	- amend the 2002/03 capital programme and the capital strategy for 2003/04 –2005/06 as explained in para 4.2;
	- allocate funding within the current year revenue budget from the contingency and commit to additional revenue funding in future years as explained in para 4.3.
	(b) Agree to instruct officers to open negotiations with other funding partners to agree a phased scheme.
	(c) Agree to withdraw support for the scheme and instruct officers to investigate alternative options for achieving investment.

1.0	<u>Background</u>	
1.1	Overview	
	The Hub is planned as a Community Cultural Centre based at Devonshire Park and immediately adjacent to the Council's other main cultural buildings. It will increase the visitor numbers into culture as well as allowing the Council to deliver social, economic and heritage objectives. It is planned to be a new building which will contain the relocated Towner Collection, space for temporary art exhibitions, community spaces and a conference exhibition hall.	
1.2	History of the Project	

	<p>The Hub was the central plank of the SRB6 “Pooling our Resources” bid submitted to SEEDA in May 2000. The bid was approved in August 2000 and a feasibility study was carried out. The feasibility study, funded by SEEDA, identified the preferred site and dimensions of the new proposed Hub and this was costed by a quantity surveyor. It was agreed that bids would be prepared to SEEDA for £2.162 million, to the Arts Council of England (ACE) for £2 million and to the Heritage Lottery Fund (HLF) for £1.92 million. That Eastbourne Borough Council would contribute capital receipts estimated at £0.8 million and that a fundraising campaign would raise the £1.5 million funding gap to achieve the estimated £8.5 million required to fund the whole proposed project.</p>	
1.3	Previous Cabinet/Council decisions	
	9 February 2000	
	Cabinet approved submission of an outline SRB 6 application to SEEDA.	
	5 July 2000 - Cabinet resolved:	
	1. That the SRB bid be recognised as a corporate priority	
	2. That the management arrangements required for the scheme be noted together with the need for long term relocation of the Towner Art Gallery	
	3. That priority be given to National Lottery applications as match funding for the scheme.	
	18 April 2001 - Cabinet	
	1. Endorsed submission of the feasibility study to SEEDA	
	2. Noted the financial implications of the scheme and of the need for significant sums to be secured from external funding bodies and internal sources in order for the scheme to proceed.	
	3. Noted the need for longer term investment in the adjoining buildings.	
	4. Noted the ongoing revenue costs of £50,000 per year above current budgets once the building is operational	

	<p>30 July 2001</p> <p>Cabinet agreed for the draft Heritage & Museum Strategy to be forwarded to the Heritage Lottery Fund to support the Council's application for funding for the Devonshire Park Cultural Centre.</p>	
	<p>30 July 2001</p> <p>Cabinet approved the Cultural Hub and relocation of the Towner Art Gallery as a priority for capital investment under the Corporate Aim of 'A Prosperous Place'</p>	
	<p>31 October 2001</p> <p>Cabinet approved co-ordination of the fundraising campaign for the Devonshire Park Cultural Centre being undertaken by the Tourism, Leisure & Amenities Directorate.</p>	
2.0	<p><u>Current Position</u></p>	

2.1	Funding Overview The feasibility study produced costings for a construction project which totalled £8,382,100 capital. Based on these estimates, applications were submitted to 3 funding partners			
	Agency	Capital £	Revenue £	
	SEEDA	2,162,100	88,500	
	ACE	2,000,000	0	
	HLF	1,920,000	0	
		The deficit would be met by		
EBC	800,000		50,000	
Fundraising	1,500,000		0	
2.2	Current position of each bid			
	SEEDA have applied a new two stage approach to SRB6 Capital Schemes. A bid for £487,000 to develop the design, rising to £900,000 by tender acceptance has been made. SEEDA are indicating that they may require other partners to share the risk of this “up front” funding, which would be lost in the event that the design and tender processes do not produce a viable scheme.			

	The Arts Council have approved the bid for admittance into their Arts Capital Programme as one of their top priorities. The detailed paperwork required to be completed prior to drawdown of funding is currently being worked on.	
	The Heritage Lottery Fund application was submitted in Autumn 2001, a decision is expected at the end of March 2001 and the indications are positive.	
	Both SEEDA and the Arts Council have both now confirmed that full funding for the proposed project must be in place before approval for drawdown of funds can be given. This includes the current fundraising gap. A fundraising strategy has been prepared which indicates that the majority of the fundraising is expected to be achieved towards the end of the build programme. Both SEEDA and ACE have asked EBC to underwrite the funding gap whilst fundraising is being carried out. It is expected that HLF will also be unhappy for a build programme to commence which is not fully funded.	
2.3	Eastbourne Borough Council Commitment	
	Eastbourne Borough Council has previously given the following commitments:	
	· Capital receipts estimated at £800,000.	
	· An ongoing increase in revenue funding of £50,000 p.a. for the new facilities once they are operational (2006/07).	
	Eastbourne Borough Council are now being asked by SEEDA and the Arts Council to underwrite the remaining funding gap.	
	Three options present themselves:	
	Option 1 - To support the original Hub proposal to raise £8.5 million and for EBC to underwrite the funding gap.	
	Option 2 - To support a phased scheme limiting the project to £7 million initially and only increasing it to the original £8.5 million when all the funds are secured. This will not require this Council to underwrite the current funding gap.	

	Option 3 - To withdraw from the original Hub proposal and to explore opportunities for funding to upgrade the current existing facilities.	
3.	<u>Option 1 - Continue with Original Proposal</u>	
3.1	Benefits	
	Continuing with the original Hub proposal has the following benefits:	
	<ul style="list-style-type: none"> · Enhanced Towner Art Gallery in a new purpose built building that will increase regional and national recognition. · New arts touring exhibition gallery · Enhanced conference exhibition space adjacent to conference centre · New community spaces which will be used to address social exclusion issues and act as a focus for outreach work · Increased visitors to the Town for cultural tourism · Disability Discrimination Act requirements will be complied with 	
3.2	Risks	
	<ul style="list-style-type: none"> · If the current fundraising target of £1.5 million is not met, the shortfall will have to be financed by Eastbourne Borough Council. · If total project costs exceed £8.5 million this will add to the fundraising target · The fundraising gap will have an effect on EBC's current Capital Strategy. This will mean either a postponement until fundraising targets are met or some deletion if the fundraising target is not met. · Expected capital receipts may not be achieved. 	

3.3	<u>Risk Management</u>											
	In order to cap the risks which the Council is being asked to bear, the following conditions can be attached to the guarantee:											
	<ul style="list-style-type: none"> · EBC (and other funding partners) must have the right to withdraw from the scheme at any time during the design and tender stages, in the event that a scheme acceptable to all funding partners cannot be achieved within the £8.5 million budget · At the point of tender acceptance all funding partners need to confirm that the proposed scheme meets their requirements. From this point onwards no funding partners are entitled to withdraw from the scheme. · All funding partners need to agree to co-operate with efforts to contain total costs within the scheme budget throughout the construction period. 											
4.	<u>Financial Implications</u>											
4.1	Capital											
	EBC will need to be in a position to meet any funding gap in 2005/06. The funding gap will comprise:											
	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Current required</td> <td style="width: 20%; text-align: right;">£ million</td> </tr> <tr> <td>Plus cost overruns</td> <td style="text-align: right;">2.3</td> </tr> <tr> <td>Less capital receipts</td> <td style="text-align: right;">?</td> </tr> <tr> <td>Less fundraising to date</td> <td style="text-align: right;">?</td> </tr> <tr> <td></td> <td style="text-align: right;">0.065</td> </tr> </table>	Current required	£ million	Plus cost overruns	2.3	Less capital receipts	?	Less fundraising to date	?		0.065	
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	0.065											
	At this point the best estimate of the gap at 2005/06 is £1.5 million less fundraising to date.											
	This gives four years over which the Council needs to build up adequate provision. At this point, the Council cannot rely on fundraising income so it needs to plan to set aside funds in 2002/03, 2003/04, 2004/05, and 2005/06. The amount to be set aside each year will need to be reviewed in the light of the progress of the project and the experience of fundraising.											

	The capital strategy for 2002/03 – 2005/06 is already heavily dependent on capital receipts from asset disposals. The strategy requires receipts of £2,542,000 in 2002/03, £2,292,000 in 2003/04, £2,262,000 in 2004/05 and £2,112,000 in 2005/06. Of these amounts, approximately £500,000 per year is forecast from Right to Buy sales. The balance will need to be generated from other disposals. It would not be prudent to add to the target for capital receipts in order to fund this project.
	Funding for this project will, therefore, need to be a first call on the capital strategy for each year, reducing the currently planned programmes in other areas. The current programmes for each year are as follows (excluding ring fenced funding):

	2002/03	2003/04	2004/05	2005/06
	£000	£000	£000	£000
Housing	5289	5365	5365	5365
Parks	100	100	100	100
Leisure	200	100	100	300
External initiatives		200	200	200
Winter garden frontage	180	180		
Theatre refurbishment (air conditioning at Congress)	250	150		
Other major works	300	100	100	100
Disabled access	100	50	50	
TOTAL	6419	6245	5915	6065

4.2	It is proposed that the following items in the capital strategy are deferred:
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	2002/03 £000	2003/04 £000	2004/05 £000	2005/06 £000
Winter Garden frontage	180	180		
Congress air conditioning	250	150		
External initiatives		200	200	200

	This provides a total £1,360,000 against the gap of £1,500,000, which is considered adequate at this stage.
	It is proposed that these items be reinstated as the gap reduces, as follows:
	<ul style="list-style-type: none"> · Air conditioning to go ahead when gap reduces to £960,000 · Winter Garden frontage to go ahead when gap reduces to £600,000 · External initiatives funding to be available as gap reduces further.
4.3	Revenue
	EBC will need to invest in additional project management capability to protect its financial position, should it decide to underwrite the scheme. Total revenue funding available is £88,500, which is part of the SEEDA contribution. Officers recommend that £44,000 per year is allowed to retain a high quality, full time project manager for the scheme. Funding for 2002/03 and 2003/04 is available from the SEEDA allocation. However, from 2004/05 onwards the Council will need to allocate growth for this.

	<p>EBC will also need to invest in fundraising. Expertise will need to be bought in to inform the fundraising strategy, the costs of which may eventually be repaid from donations, depending on the success of the campaign. Verbal estimates from 3 specialist consultancies have been obtained for this work. They range from £18-30k for the prospect research; further work beyond this would need further funds. In addition, cover will need to be provided for internal officer time working on the scheme. £3,000 per year from 2002/03 is required. Funding for both the one off advice on strategy and the ongoing cover for internal staff will need to be found in 2002/03 either from EBC or our funding partners. In the event that we are unable to secure contributions from funding partners, this amount will need to be found within the 2002/03 EBC budget. At present the only option would appear to be an allocation from the contingency. For 2003/04 onwards, growth of £3,000 will be needed.</p>
	<p>EBC is already committed to £50,000 ongoing increase in revenue funding for the new facilities once they are operational.</p>
5.	<p><u>Legal Implications</u></p>
	<p>Under Part 1 of the Local Government Act 2000 there is a wide ranging power for the Council to do anything that is likely to promote or improve the economic and social well-being of its area ("the well-being power"). This power can be exercised for the benefit of the whole of the Council's area including not only local residents but also people who travel though the area and visitors. In using the power it is necessary for an authority to focus on the potential benefits to its area, but there is no need for the benefits to be commensurate with the expenditure. The well-being power can be used to give financial assistance to any person including the giving of guarantees. The "well-being" power is discretionary.</p>

	<p>The well-being power is subject to various constraints including the controls found in the broader public law framework ("judicial review"). A key issue here is the extent to which an authority has come to a conclusion so unreasonable that no reasonable authority could have come to it. In other words, decisions must be a rational use of the Council's powers. Authorities also owe a "quasi-fiduciary" duty to those from whom they collect taxes. In exercising a power to use monies the authority must have regard to the interests of its local tax payers. This includes deploying financial resources to best advantage.</p>
	<p>Members will want to know whether option 1 in this report is a lawful and proper to use the well-being power. The following advice is given:</p>
	<p>a) This option covers a range of benefits that clearly fall within the "well-being" power.</p>
	<p>b) Any decision to underwrite the funding gap must not be open-ended. Accordingly, the recommendation is that the Council underwrites to a maximum of £1.5 million.</p>
	<p>c) The underwriting of the funding gap must be underpinned by the Council setting aside sufficient funds. This report identifies proposals for providing a total of £1,360,000 at this stage. Adequate arrangements must be put in place to ensure that the amount set aside is reviewed on a regular basis to ensure that it remains sufficient for the purpose. This report sets out proposals for review.</p>
	<p>d) The proper use of the Council's resources requires that there is an option for withdrawing from the scheme in the event that an acceptable scheme cannot be delivered within the agreed overall budget. Again, this report includes proposals for withdrawal in these circumstances.</p>
	<p>e) A commitment on this scale should be protected by additional project management capability as set out in this report.</p>

	<p>Provided that the recommended measures and safeguards mentioned in this report are put in place, option 1 would be a lawful use of the Council's powers.</p>
6.	<p><u>Option 2 - To only support a reduced scheme which does not require a guarantee to underwrite the funding gap</u></p>
6.1	<p>Benefits</p>
	<p>Professional advice is currently being taken on a reduced scheme proposal. It is anticipated that such a scheme will still achieve the following benefits.</p>
	<ul style="list-style-type: none"> · Increased visitors to the Town for Cultural Tourism · Enhanced Towner Art Gallery · Shared new arts touring exhibition gallery with enhanced conference exhibition space · Some new community spaces · Disability Discrimination Act requirements will be complied with · There will be no requirement for EBC to underwrite the funding gap
6.2	<p>Risks</p>

	<ul style="list-style-type: none"> · Reductions in funding from partners proportionate to the reduction in the size of the project. · Jeopardise external funders confidence in EBC · Additional overall costs may be incurred by phasing the building professional advice is currently being sought. · We will have to compromise on the building and the outputs required by our external funding partners may be difficult to achieve. · One or all of our funding partners may withdraw. We will have to commence delicate negotiations with them.
6.3	Financial Implications
	<ul style="list-style-type: none"> · There is no impact on EBC's Capital Strategy · Funding partners may reduce or withdraw their financial commitment to this project. · There may be considerable impact on future decisions regarding inward investment in for example The Bandstand, the front of the Winter Gardens and possibly other investment opportunities for housing.
7.	<u>To withdraw from the original Hub proposal</u>
7.1	Benefits
	<ul style="list-style-type: none"> · There will be no requirement for EBC to underwrite the funding gap. · There will be no risk of the fundraising strategy underachieving.
7.2	Risks

	<ul style="list-style-type: none"> · It is difficult to assess the impact on our funding partners but Eastbourne's reputation could be severely damaged. · Any future bids for external funding will not be received with the confidence that Eastbourne can deliver. · It will be impossible to deliver increased outputs in our current buildings. · Conference trade will be difficult to sustain without enhanced conference exhibition space. · The Towner Art Gallery will not be able to sustain its current reputation. · The current buildings will still need considerable investment. · The requirements of the Disability Discrimination Act will be difficult to achieve. · The Council's aims of the Capital Strategy, Heritage and Museums Strategy and Local Cultural Strategy will be impossible to achieve.
7.3	Financial Implications
	<p>If inward investment is not secured for the Towner Art Gallery and the conference exhibition spaces there will be an impact on the current Capital Strategy. Investment will be required in the current buildings to sustain them and to meet the requirements of the Disability Discrimination Act.</p>
	The Council will lose £6.082 million external funding.
	There will be a saving of the required £50,000 p.a. on-going revenue funding from 2006/07.
<p>Sue McHugh</p> <p>Director of Finance and Corporate Services</p>	

Background Papers

The background papers used in compiling this report were as follows:

Application for Single Regeneration Budget Round 6 - Cabinet Report 9th February 2000.

Single Regeneration Budget Round 6 – Cabinet Report 5th July 2000.

The Cultural Quarter – an SRB 6 Capital Project – Cabinet Report 18th April 2001.

To inspect or obtain copies of background papers please refer to the contact officer listed above.

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