

Subject:	Royal Pavilion Estate Capital Project Progress Update		
Date of Meeting:	13 October 2016		
Report of:	Executive Director for Economy Environment & Culture and, Executive Director for Finance & Resources		
Contact Officer:	Name:	Richard Davies	Tel: 29-6825
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Ward(s) affected:	All		

FOR GENERAL RELEASE/ NOT FOR PUBLICATION**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The Royal Pavilion Estate was bought by Brighton Corporation in 1850 and today is Brighton & Hove's cultural heart, uniquely combining a historic Royal Palace and Regency Garden, a museum, art gallery and three performing arts spaces at Brighton Dome. Brighton Dome & Festival Ltd (BDFL) has a lease on the Brighton Dome, Corn Exchange and Studio Theatre.
- 1.2 The council and BDFL signed a Memorandum of Understanding on 18 August 2014, to formalise the joint working with the Royal Pavilion & Museums (RPM) and underpin the delivery of the phased capital works to the Royal Pavilion Estate that aim to secure its long term future and financial viability. The fundraising campaign has so far included successful bids to Arts Council England (ACE), the Heritage Lottery Fund (HLF) and private trusts.
- 1.3 This report summarises the progress made to date on the project, and seeks agreement to a new funding model that responds to the unsuccessful LEP funding bid and increased project costs while identifying the risks of not proceeding. This project is due to bring into the city additional funding of £17m which would be at risk should this project not proceed.
- 1.4 The approval of the new funding model presented in this report will enable the project to proceed according to programme with an anticipated start of works on site in January 2017 subject to receipt of tender returns for the main contractor by 28 October 2016.

2. RECOMMENDATIONS:

- 2.1 That Policy, Resources & Growth Committee notes the progress made to date on the Royal Pavilion Estate capital project Phase 1 and approves:

- a. the revised expenditure and funding model of £21.493m as detailed in the part 2 report (for the expenditure) and paragraph 3.14 (for the income).
 - b. council borrowing of £2.704m to be financed by BDFL as set out in paragraph 3.14
 - c. delegated authority to the Executive Director for Economy Environment & Culture and Executive Director Finance & Resources to increase the budget and implement the option of further borrowing capped at a level which is affordable for BDFL to finance (as set out in paragraphs 3.15, 3.16 and 7.2) should the tender cost estimates be higher than anticipated,
- 2.2 That Policy, Resources & Growth Committee notes the financial implications in section 7 and agrees that the Executive Director for Economy Environment & Culture and Executive Director Finance & Resources may implement the option of further borrowing to mitigate financial risks set out in paragraphs 7.3 and 7.5.

3. CONTEXT/ BACKGROUND INFORMATION

Project

- 3.1 The Memorandum of Understanding signed by the council and BDFL on 18 August 2014 proposes to redevelop and improve the Royal Pavilion Estate as a world class cultural and heritage site by reconnecting the Royal Pavilion, Brighton Dome, Brighton Museum & Art Gallery, Corn Exchange and Studio Theatre with their historic setting, improving the world class centrepiece of Brighton & Hove's cultural quarter. Also included in these planned improvements is the Old Courthouse in Church Street. This redevelopment will seek not only to upgrade buildings on the Estate including the Garden, but also restore some of the connectivity between the Dome, Brighton Museum & Art Gallery and the Royal Pavilion, which will enable further future co-working on the delivery of cultural events and celebration of the parties' unique heritage.
- 3.2 The phased approach to the capital works responds to current issues and funding opportunities. The total cost of all three phases is now expected to be circa £41million. It should be noted that if other funding streams become available for future phases of works then this may alter the phasing.
- 3.3 PHASE 1: Restoration of the Corn Exchange and Studio Theatre together with development of the Estate-wide Interpretation Strategy, Brand Identity and Management & Maintenance Plans. The revised costs are included in this report.
- 3.4 PHASE 2: Upgrades to the Royal Pavilion Garden, establishment of new interpretation, activity and Wayfinding, creation of a new Visitor Welcome Facility, and refurbishment and re-interpretation of the Royal Pavilion. Estimated cost circa £13 million subject to confirmation and agreement of project scope.
- 3.5 PHASE 3: Refurbishment and some updated interpretation of Brighton Museum & Art Gallery, new interpretation and activity within Brighton Dome and creation of new learning facilities within the Old Courthouse and part of Northgate House. Estimated cost of £6.0 million.

- 3.6 The proposed capital improvement works prepared through this initiative aim to significantly enhance the quality of the Estate's visitor offer and the heritage in its care, delivering a legacy of sustainability and resilience, which will safeguard its future.
- 3.7 The architect led design team for Phase 1 was appointed in July 2015 to carry out the detailed design, prepare contract documentation and procure a main contractor. The Invitation to Tender for the main contractor for these works was issued on 1 September 2016 and tender returns are due to be returned to the council by 28 October 2016.
- 3.8 The Phase 1 capital works will provide much needed improvements to the Brighton Dome, including the Corn Exchange and Studio Theatre, back of house facilities for artists and staff and new public spaces to improve the audience experience and heritage interpretation. These areas of the Brighton Dome were missed out of the previous improvements completed in 2002 and as a consequence require considerable works to address their poor condition.
- 3.9 Planning permission and listed building consent have now been granted for the Phase 1 works. A site plan is shown at Appendix 1. However, design development has resulted in some changes and a further listed building consent application is required. Discussions between the project design team, the council's conservation officer and Historic England are on-going.
- 3.10 In April 2016 Policy & Resources Committee agreed delegated authority for the Assistant Chief Executive and Executive Director, Finance & Resources to procure and appoint the main contractor to carry out the Phase 1 capital works to the Corn Exchange and Studio Theatre where the tender price is within the project budget.
- 3.11 The project has secured to date ACE funding of £5.802million, HLF funding of £4.999million and private trust and individual commitments of £1.62million for the development and delivery of Phase 1 capital works to the Dome. The private fundraising campaign has over achieved against the year 1 target of fundraising income.
- 3.12 Since reporting to Policy & Resources Committee in April 2016, the council has been informed that the bid to the LEP Coast To Capital has been unsuccessful. In response to this outcome, this report sets out a revised funding model to deliver and realise the considerable benefits of the project for the city. If the Phase 1 project does not proceed the secured funding from ACE, HLF and private trusts and individuals of £12.4 million for the delivery of the project will be lost to the city. If the capital works are not carried out this is likely to result in increased future capital liabilities for the buildings without the secured grant funding being available to address them.

Revised Project Expenditure and Funding

- 3.13 Since reporting to Policy & Resources Committee on 28th April 2016 there has been an estimated increase in the total development and delivery Phase 1 project costs to £21.493m, which are detailed in the Part 2 report.

3.14 The table below sets out the net increased funding requirement of £2.435m compared to the funding set out in the 28 April 2016 Policy & Resources Committee report. The ACE, HLF and external fundraising contributions remain the same as previously reported with proposed changes to funding in the following areas:

- Other government grants contributions have reduced to £1m. Although the bid to the LEP Coast To Capital was unsuccessful, the council will now be seeking funding of £1m from underspends within current LEP projects. There is however, uncertainty around this funding which will be subject to a bid process later in the year.
- The council will now contribute £0.5m capital receipts from the sale of council assets and an asset will be identified to support this funding stream.
- The council will use its borrowing facility to fund the shortfall in funding of £2.704m. A discussion is currently underway with BDFL trustees to confirm that the capital and interest repayments will be financed by BDFL over a 30 year period.

Project Income (Development & Delivery Phase 1)	Original Funding Projections £'000	Revised Funding Proposals £'000	Variance £'000
Development Phase			
Arts Council England (Stage 1)	199	199	0
Heritage Lottery Fund	176	176	0
External Fundraising	20	20	0
BDFL contribution	154	148	-6
Development Income	549	543	-6
Delivery Phase			
Arts Council England (Stage 2)	5,603	5,603	0
Heritage Lottery Funding (Round 2)	4,823	4,823	0
Other government grants	2,000	1,000	-1,000
External Fundraising	5,230	5,500	270
BHCC	750	1,320	570
Borrowing (funded by BDFL)		2,704	2,704
BDFL	103		-103
Delivery Income	18,509	20,950	2,441
Total Project Income	19,058	21,493	2,435

Note: £0.270m fundraising costs were originally offset against income. Strategic Investment Fund contribution in 2015/16 of £0.070m was excluded from the previous report.

3.15 It should be noted that the Phase 1 total project construction costs estimates have been established through design to RIBA Work Stage 4 Technical Design, which has been tested by the project cost consultants. However, a definitive figure will be known following completion of the procurement of the main contractor. Tenders are to be returned to the council by 28 October. Should the tenders result in increased costs then either further efficiencies will need to be

identified to bring project costs in line or additional funding sought. If additional funding is required the council will seek to increase the borrowing facility with the repayments financed by BDFL (subject to the Trustees approval).

- 3.16 The council's Standard Financial Procedures B.2.5.18 allow Chief Officers to meet increased capital costs by up to £50,000 or 10%, whichever is the lesser, subject to agreement with the Executive Director of Finance. There is a possibility that the tender costs are more than £50,000 higher than anticipated which would then require further Committee approval to proceed. Any delays to the commencement of this scheme will result in BDFL incurring further losses due to the buildings being vacant longer than planned. Therefore this report seeks delegated approval to increase the capital budget and associated funding financed by BDFL, following the outcome of the tender process, above the limits prescribed in the council's Standard Financial Procedures. It is proposed that any budget increase will be restricted to the level of additional borrowing that is affordable for BDFL. This means that there would be no additional cost increases to the council.
- 3.17 The private fundraising campaign will continue during the construction period, which is not unusual for large capital projects. Two notable examples in the cultural sector where this was the case are the Chichester Festival Theatre and the South Bank Centre capital project, 'Let the Light In'. The former started works on site with £6m of the overall project cost of £23m still to find while the latter, at the time work started on site in December 2015, had £2.2m of the £4m private fundraising still to raise. They currently have £1.3m left to raise with construction due for completion in Autumn 2017.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The joint Stage 1 HLF bid that was submitted in November 2013 for the whole of the Royal Pavilion Estate was unsuccessful. HLF advice was to phase the capital works and submit smaller bids for each phase. This approach was adopted and proved successful with the award of £4.999m for Phase 1.
- 4.2 The option of doing nothing is untenable as major investment and a sustainable business model are required to protect the historic fabric of the buildings and the Garden for future generations.
- 4.3 Doing nothing would also result in increased planned maintenance demands requiring further investment as well as major refurbishment works to parts of the Brighton Dome such as the Corn Exchange roof.
- 4.4 ACE has confirmed that the secured funding award is for the project in its current form and will be withdrawn if the project does not proceed in its entirety. This is also the case for the HLF secured funding. Not proceeding with Phase 1 works will result in the loss of approximately £12.4million of already secured funding for delivery of Phase 1 capital works and the need for future funding requirements to carry out essential works that would have been addressed by this project.
- 4.5 User-feedback collected by BDFL suggests that the Phase 1 changes and improvements throughout the building are definitely required to enhance the

audience experience and to encourage further visits and spend in the venues. The proposed Phase 1 works will contribute to creating a world-class cultural destination in the heart of Brighton & Hove and deliver a strong model for long term financial resilience, not only to the Estate itself but through job creation and impact on the visitor economy, to the City as a whole.

- 4.6 For the project to proceed and the project benefits to be achieved the council may consider providing the funding on a spend to save basis. The council has the opportunity to use its borrowing facility to provide the required project funding within a managed and achievable funding model to ensure that Phase 1 proceeds and that subsequent phases can follow.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The initial HLF submission was informed by a series of consultation and engagement sessions, which included workshops, presentations and surveys undertaken with a variety of stakeholders. In relation to the Garden, which will be phase 2 works, a number of stakeholder workshops, including one solely for young people, have been held. A public exhibition took place in Jubilee Library in November 2014 to gather further feedback along with an online survey on the council's consultation portal.
- 5.2 The planning application and listed building consent application for Phase 1 works included statutory public consultation.

6. CONCLUSION

- 6.1 Successful ACE and HLF funding bids for Phase 1 works provides the basis for the private fundraising campaign alongside other funding sources, and this opportunity must now be taken to advance achievement of the whole project and ensure the long term future of the fabric of the historic buildings and the Garden.
- 6.2 The request from HLF for the project to be phased is considered sound and allows programming of resources and fundraising in a measured way over the project lifetime. This approach has been supported by the successful ACE and HLF funding approvals for Phase 1 works.
- 6.3 Detailed design for the Corn Exchange and Studio Theatre, construction works, Interpretation Strategy, and Brand Identity & Wayfinding will form the Phase 1 works. This phase will demonstrate the ambition of the parties' approach to the Royal Pavilion Estate to create transformational change. This ambition will underpin future fund raising for subsequent phases.
- 6.4 If Phase 1 does not now proceed the secured funding of £12.4million will be lost to the project and the city and the cost of future maintenance and refurbishment requirements that would have been addressed by the project will have to be found elsewhere.

- 6.5 The council has the opportunity to spend to save while securing the sustainable future of the Brighton Dome and prepare the way for the Phase 2 and 3 works to the Royal Pavilion, Garden and Museum & Art Gallery.
- 6.6 The proposed funding strategy will use a combination of council borrowing facility and receipts from the sale of council assets. The use of council assets will redirect scarce resources from those capital assets that are less important for the city's economy to the key element that is the Royal Pavilion Estate, which makes a major contribution to local and regional tourist and cultural economic activity.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The Phase 1 project costs are set out in Part 2 of this report and the changes to the funding proposals are set out in paragraph 3.14. The following financial risks should be noted along with proposed mitigations:
- 7.2 The budget includes estimates for the construction costs and a definitive figure will be known following completion of the procurement of the main contractor. Tenders are to be returned to the council by 28 October 2016 and should the tenders result in increased costs then further efficiencies will need to be identified to bring project costs in line. As this may not be possible, the report seeks approval for delegated authority for the Executive Director of Finance & Resources to increase the budget accordingly and undertake further borrowing, which will be financed by BDFL (subject to their Trustees agreement) and capped at a level affordable to BDFL. This will ensure that the current project deadlines are met, including the start of works on site in January 2017, and that BDBF do not incur financial losses due to the buildings being vacant for longer than planned. Should costs increase above a level of financing that is affordable to BDFL further options would need to be investigated and reported to Policy, Resources & Growth Committee.
- 7.3 The revised funding proposals assume that £1m will be received from LEP underspends. Should this bid be unsuccessful the Council and BDFL would need to identify further funding, probably through borrowing at an approximate cost of £0.058m per annum.
- 7.4 The funding proposals now include £1.320m from the council. This is from a mixture of any underspends over the next three financial years in the Dome sinking fund for maintenance (assuming there will be a reduced maintenance requirement during the build period), £0.500m target capital receipts from the sale of a council asset and the remainder from capital reserves. These commitments will need to be included in the Councils Medium Term Financial Strategy and 2017/18 Budget.
- 7.5 It is an ACE requirement that 90% of match funding for the project is in place before agreement will be given to contract for the works. The 3 year fundraising campaign target is £5.5m. So although the campaign has over achieved against the year 1 target of fundraising income and has received pledges and commitments totalling £1.6m, in order to meet ACE's requirements the council

will need to underwrite £3.4m of fundraising costs. It is unlikely that this level of fundraising would be unachievable as the fundraising estimates have been provided based on evidence and the experience of fundraising for other cultural projects throughout the country. It should also be noted that the level of underwriting required will reduce as the project commences and further fundraising income is achieved. However, as noted in the previous report, a risk assessment identified that there may be a potential residual risk of up to £0.800m shortfall (of the £5.500m) for which the council as accountable body would need to consider risk cover. Should this shortfall materialise it would be funded through borrowing at a cost of £0.050m per annum, which would be shared with BDFL

- 7.6 Following approval of the recommendations in this report and the outcome of the tendering exercise for the main contractor, any reprofiling or variations to the capital scheme will be reported as part of the Month 7, 2017/18 Targeted Budget Management report to Policy, Resources & Growth Committee on 8 December 2016.

Finance Officer Consulted: Sue Chapman

Date: 14/9/16

Legal Implications:

- 7.7 At 3.15 the report indicates that an asset will be identified to provide a £0.5m capital receipt. The constitution 6.3.B.IV.21.(8)(d) requires Policy Resources and Growth Committee consent to disposal of any asset worth over £0.25m.
- 7.8 Any finance agreement with BDFL will need careful documentation and adequate security to protect the council's financial interests.
- 7.9 Any renegotiation of the Council's arts funding provided to BDFL will need to be approved by the council's lawyers, and properly registered where appropriate.
- 7.10 Where the Council provides financial assistance to a third party, State Aid should be considered. Once the terms of the finance are approved these can be considered in more detail. If the Council or the recipient believes it is prudent and necessary the proper notifications can be made to the Commission.
- 7.11 BDFL commenced work on fundraising before the council stepped in as responsible authority and assumed the role of leading in the implementation of the works. In respect of any payments to third parties in respect of the fundraising costs the Council is relying on BDFL to have carried out an appropriate exercise to ensure best value was achieved.

Lawyer Consulted:

Oliver Asha

Date: 03/10/16

Equalities Implications:

- 7.12 In preparing the capital works proposals, an extensive range of stakeholders were consulted to identify issues of access to facilities and activities in order that these may be addressed through the project works. Improved educational space will be provided within the overall project that will further increase access for

schools and others to the Royal Pavilion Estate activities. The capital works will provide a dedicated space to deliver the BDFL Learning and Access Programme.

Sustainability Implications:

- 7.13 The project's Phase 1 sustainability consultants, as part of the integrated design team, undertook a detailed evaluation and consideration of the use of sustainable technologies and where possible these have been incorporated into the developed design. The project is using a specialised matrix approach to target areas of design that can offer the best opportunities for improving environmental performance of listed buildings. At present, the project is anticipated to achieve the equivalent of a BREEAM rating assessment of Good.
- 7.14 The proposed capital works will result in the historic buildings being more energy and water efficient, both of which will contribute to reduced operating costs.

Other Significant Implications:

Risk and Opportunity Management Implications:

- 7.15 A risk register for the project is maintained by the project manager and is a requirement of both ACE and HLF. The risks and mitigating actions are considered by the project team and escalated to the Royal Pavilion Estate & Cultural Governance Steering Group where necessary.
- 7.16 Currently the risk register identifies fundraising as a key risk. A detailed Fundraising Strategy has been developed and well researched, and an experienced Campaign Director has been appointed to implement the strategy. This report responds to the realised risk of LEP Coast to Capital funding bid being unsuccessful.
- 7.17 Should the 90% of match funding required by ACE not be secured by way of the new funding model proposed in this report the ACE award will be withdrawn. The HLF requirement is that 70% of match funding is achieved before works start and would also be expected to withdraw its award should this target not be reached.

Corporate / Citywide Implications:

- 7.18 This project is part of Brighton & Hove City Council's Cultural/City Centre Investment Programme within the council's Regeneration & Investment Programme. This brings together a number of regeneration and investment projects and programmes into an over-arching co-ordinated programme that is overseen by the Corporate Investment Board formed of the Executive Leadership Team.
- 7.19 The project is included in the Greater Brighton Investment Programme project pipeline, which has been confirmed in both October 2014 and October 2015.
- 7.20 The project is investing in premises to promote economic activity and support growth of the local cultural and tourist economy. The flagship Brighton Festival attracts over 220,000 visitors during May each year with year round visitors to the Brighton Dome of 600,000.

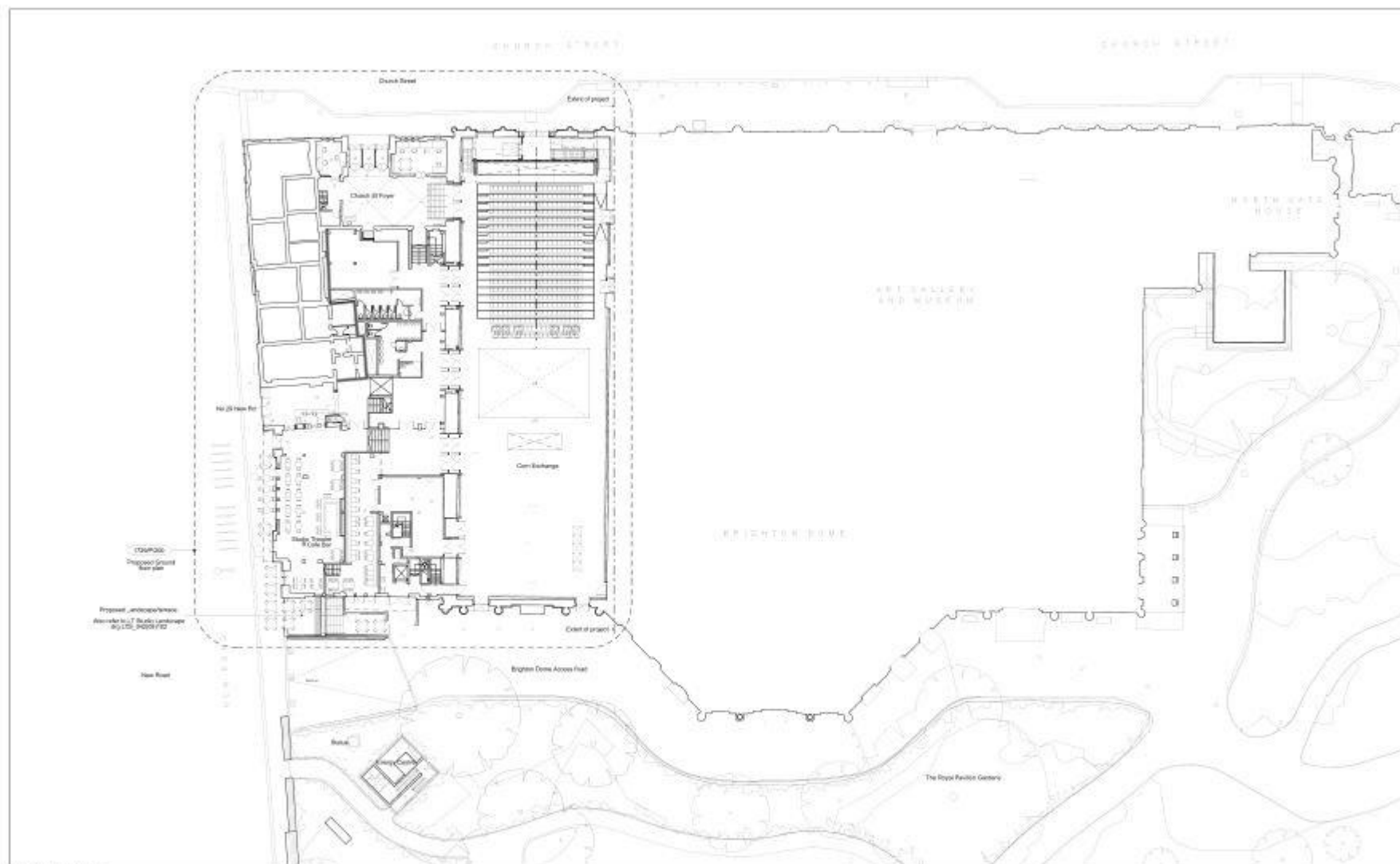
SUPPORTING DOCUMENTATION

Appendices:

1. Royal Pavilion Estate Phase 1 Site Plan

Background Documents

1. Policy & Resources Committee Report, 28 April 2016



1729/P100 Proposed Site Plan

Rev A. For your use only to indicate proposed work. 13th Oct 2014

		<p>STATUS: PLANNING</p> <p>1729/P100/P100 A LLP</p> <p>Paul Bracey 1st Floor 1729/P100 1729/P100 1729/P100 1729/P100</p>	<p>Approved:</p> <p>Engineer Date:</p> <p>Proposed Site plan of Carr Exchange and Studio Theatre</p> <p>Drawn: Paul</p> <p>Do not scale</p> <p>Original printed at A2</p>	<p>Approved:</p> <p>Approved No:</p> <p>1729/P100 A</p> <p>Scale: 1:200 (1:400 @ A3)</p> <p>Date: July 2014</p> <p>All dimensions to be checked on site</p>
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