

Subject:	Royal Pavilion Estate Capital Project		
Date of Meeting:	22 January 2015		
Report of:	Assistant Chief Executive Interim Executive Director Finance & Resources		
Contact Officer:	Name:	Richard Davies	Tel: 29-6825
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Ward(s) affected:	All		

FOR GENERAL RELEASE

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. This will be achieved through phased works across the Royal Estate. A fundraising campaign has been started including successful bids to Arts Council England (ACE) Stage 2 and the Heritage Lottery Fund (HLF) Round 1.
- 1.3 This report summarises the progress made to date on the project, seeks agreement of the capital scheme and delegated authority for managing project spend, sets out the proposed governance arrangements to oversee its delivery, and seeks delegated authority to procure the range of work required to deliver the phased works, including an architect led design team.

2. RECOMMENDATIONS:

- 2.1 That Policy & Resources Committee notes the progress made to date on the Royal Pavilion Estate capital project Phase 1, which has an estimated cost of £19.1 million, and the successful bids for ACE Stage 2 match funding and HLF Round 1 match funding totalling £10.8million towards these Phase 1 capital works.
- 2.2 That Policy & Resources Committee agrees that a Round 2 HLF bid is prepared and submitted for the Phase 1 capital works to the Brighton Dome and delegates authority to the Assistant Chief Executive and Executive Director, Finance & Resources to prepare, sign off and submit this bid.

- 2.3 That Policy & Resources Committee agrees that further bids to HLF are prepared and submitted for subsequent phases of capital works to the Royal Pavilion Estate and delegates authority to the Assistant Chief Executive and Executive Director, Finance & Resources to prepare, sign off and submit these bids.
- 2.4 That Policy & Resources Committee agrees the Procurement Strategy described in paragraphs 3.11 to 3.17 of this report.
- 2.5 That Policy & Resources Committee delegates authority to the Assistant Chief Executive and Executive Director, Finance & Resources to; procure the architect led design team to deliver the Phase 1 capital works and enter into contracts for these works following the procurement, subject to receiving planning permission; and procure and commission further works to satisfy HLF bid requirements, including the Interpretation Strategy, Brand Identity & Wayfinding and Management & Maintenance Plan.
- 2.6 That Policy & Resources Committee notes the funding requirements for the project and commits the council to match funding of £0.75 million for the Phase 1 capital works.
- 2.7 That Policy & Resources Committee authorises spend against the ACE and HLF secured match funding for the Phase 1 capital works for the appointment of an architect led design team to carry out the detailed design, prepare contract documentation and procure a main contractor.
- 2.8 That Policy & Resources Committee approves £10,000 from the council's 2014/15 Strategic Investment Fund to provide support to progress the project.
- 2.9 That Policy & Resources Committee confirms the council's commitment to the Royal Pavilion Estate capital project, agrees to act as lead organisation and supports continued joint working with the Brighton Dome & Festival Limited (BDFL) and the Royal Pavilion & Museums.
- 2.10 That Policy & Resources Committee notes the need to formalise the relationship between the Council and BDBF and the possible advantages of an incorporated joint venture delivery vehicle for the project and that the Assistant Chief Executive and Interim Director Finance & Resources will appraise options and negotiate terms with BDFL, with the outcome being presented to a future Policy & Resources Committee for approval.

3. CONTEXT/ BACKGROUND INFORMATION

- 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 integrating the Royal Pavilion, Brighton Dome, Brighton Museum & Art Gallery, Courthouse, Corn Exchange and Studio Theatre with their historic setting, improving the world class centrepiece of Brighton & Hove's cultural quarter. This redevelopment will seek not only to improve the Royal Pavilion Estate, but also restore some of the connectivity between the Dome, the Brighton Museum & Art Gallery and the Royal Pavilion, which will enable further co-working in the future on the delivery of cultural events and celebration of the parties' unique heritage.

- 3.2 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.
- 3.3 The Phase 1 capital works will provide much needed improvements to the 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 Dome were missed out of the previous improvements completed in 2002 and as a consequence require considerable works to address their poor condition.
- 3.4 BDFL submitted a successful ACE Stage 1 bid in September 2012 for strategic funding for works to the Dome. This resulted in a sum of £5.8m being earmarked by ACE for the development pending the successful submission of a Stage 2 bid within 18 months. This approval included confirmation of a sum of £0.2m for the preparation of plans to submit a planning application. The council, as lead party, then followed this with a Stage 2 ACE bid in July 2014. In October 2014, ACE confirmed that the Stage 2 bid was successful, securing funding of £5.603million for the Phase 1 capital works to the Dome. This is in addition to £0.2m already awarded by ACE that was used to prepare the planning application.
- 3.5 In November 2013 RPM and BDFL submitted a Round 1 HLF funding bid to deliver the capital improvement works for the Royal Pavilion Estate. In April 2014, the HLF rejected the bid and advised that it should be split into smaller parts with a phased approach to the capital works. The parties then agreed that the project would be delivered through four phases and a Round 1 HLF bid was submitted by the council in August 2014 for £4.999million of match funding for Phase 1 of the capital works, which included £0.176million to fund development works to meet the HLF bid Round 2 requirements including an Interpretation Strategy, Brand Identity & Wayfinding, and Management & Maintenance Plan for the Royal Estate. In November 2014, HLF approved this Round 1 bid of £4.999million of match funding subject to a successful HLF Round 2 bid.
- 3.6 The phased approach to the capital works is proposed as follows and as shown in Appendix 1, and responds to current issues and funding opportunities. The total cost of all four phases is estimated at £41.6 million. It should be noted that if other funding streams become available for future phases of works then this may alter the phasing.
- 3.7 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.
- Estimated cost of £19.1 million against which ACE has awarded conditional funding of £5.8m. HLF funding of £4.995million was awarded in November 2014, subject to a successful HLF Round 2 bid (see funding breakdown paragraph 3.19 below).
 - Designs have been progressed and have been submitted for planning permission, a decision on which is expected in January 2015.

- The balance between rising operational costs and current income levels has reached a critical tipping point within Brighton Dome's Concert Hall, Corn Exchange and Studio Theatre. A new operating model is urgently required to ensure self-generated income is increased substantially and creates surpluses sufficient to establish reserves for future heritage maintenance.
- Phase 1 centres on the Corn Exchange and Studio Theatre, the majority of which was excluded from the Dome redevelopment of 1999-2002. Urgent repair and maintenance is required to the buildings, in particular the Corn Exchange roof and the installation of sympathetic infrastructure to ensure ongoing damage to the interiors is halted as soon as possible.
- Importantly, development of the Interpretation Strategy for the entire Estate needs to be undertaken in this phase in order to inform work within the phase itself and all subsequent phases, ensuring they are delivered in a joined-up and economic way.
- The Estate-wide Brand Identity and Wayfinding Strategy similarly needs to be established at the outset to ensure all interpretation, activity and wayfinding aligns with a centralised Estate identity and is delivered as economically as possible. The Estate-wide Management & Maintenance Plan is required to ensure a joined up effective, efficient and economic approach can be established for securing the long-term future of the council's heritage assets.

3.8 PHASE 2: Restoration of the Regency Royal Pavilion Garden, establishment of new interpretation, activity and wayfinding and creation of a new Visitor Welcome Facility.

- The Regency Garden is the heart of the Estate and will play the most significant part in truly reuniting and integrating all of its component parts. It is also the Estate's visitor welcome and so the impact of creating a sense of arrival will deliver significant outcomes for both the Estate itself and for the surrounding neighbourhoods.
- Anti-social behaviour and vandalism in the Garden is increasingly damaging the fabric of the Garden itself and public perception of the Estate. Such behaviour is also putting at risk in particular the Royal Pavilion but also other buildings on the Estate with damage to the exterior of the buildings, such as broken windows and graffiti. It is difficult to see how the fabric can continue to be protected for much longer and so it is believed that this work needs to be prioritised in the phased approach.
- A newly created visitor facility will give the opportunity to purchase admission tickets, provide Estate interpretation and allow storage for buggies, coats and rucksacks meaning the damage currently caused to the delicate painted surfaces and collections of the Royal Pavilion can be minimised at an early stage of delivery of the capital works programme. The location for the centre has yet to be determined and will be carefully considered so that it does not impact on the location of the existing Garden café.
- Estimated cost £7.5 million

3.9 PHASE 3: Restoration and re-interpretation of the Royal Pavilion.

- The external visitor facility established in Phase Two will take a huge amount of pressure off the deteriorating fabric within the Royal Pavilion, allowing work here to be delayed to Phase 3.
- The Royal Pavilion needs new and varied forms of interpretation to engage different interest groups and audiences; other storylines and different approaches for differing learning styles and expectations. In a fast changing environment these issues cannot remain unaddressed for much longer if we are to continue to capitalise on the building's world-class appeal.
- The interpretation strategy developed in Phase One will be delivered within the interior of the Royal Pavilion. New multisensory and digital interpretation of the Pavilion will be installed and 'hidden' areas such as the King's bathroom, the tunnel, the Saloon Bottle, the servants' quarters and the Pages of the Presence bedrooms will be woven into the interpretation offer.
- The Activity Plan will begin to develop more engagement activities connected to the Royal Pavilion, modifying learning activities to encompass the new areas.
- The volunteer programme including accredited courses will begin to approach the agreed target of 410 volunteers. This phase will recruit in specialist subjects such as conservation.
- The Conservation Plan and Management & Maintenance Plans will be further developed for the Royal Pavilion.
- Estimated cost £9.0 million

3.10 PHASE 4: Restoration and new interpretation of Brighton Museum & Art Gallery, new interpretation and activity within Brighton Dome and creation of new heritage learning facilities within the Old Courthouse and Northgate House.

- Re-development of Brighton Museum & Art Gallery was undertaken as part of the refurbishment of 1999-2002 and so it is appropriate that it be considered in this latter phase in order to bring it up to the level of quality that the rest of the Estate will be operating at by that time to complete the final piece of the jigsaw to create a world class heritage destination.
- We believe the condition of the museum roof is currently sustainable until this later phase but independent roof inspections and surveys indicate it will require substantial repair within a 3-5 year period.
- Estimated cost £6.0 million

Procurement Strategy

- 3.11 The procurement process will be overseen by the council's Procurement Team to achieve the project objectives and will adhere to the council's procurement guidance, Contract Standing Orders and best practice.

- 3.12 As the project involves significant listed buildings and the Garden of local, national and international importance it is essential that the procurement process ensures that full control is maintained by the client team over design and construction works at all times. For this reason, procurement will follow a traditional route whereby the client will appoint an architect-led design team, who will be responsible for design and contract administration, and a contractor to carry out the building works. Procurement will also include the appointment of a conservation architect.
- 3.13 The contract value for both the architectural design services and construction appointments will exceed the current OJEU thresholds for Works and Services. In light of these assumptions, the European Union Procurement Regulations and the Council's Contract Standing Orders will apply in terms of advertising the opportunity, the process used and the application of equal & fair treatment of economic operators.
- 3.14 The Council is currently the lead organisation and therefore accepts primary risk as the accountable body. The Memorandum of Understanding caters for the possibility that in order to mitigate risk, a joint venture vehicle is set up to deliver the works and states "*the parties... will discuss which party or vehicle is most suitable to procure... the works... [including] a jointly owned corporate vehicle...*". An incorporated joint venture vehicle (e.g. a Limited Company) would limit the council's financial exposure. Any services procured through the OJEU process will have to account for the possibility that parts or all of the services should be procured by the joint venture vehicle. An options appraisal will be undertaken to consider the most appropriate form of vehicle. The outcome of this appraisal will be presented to a future meeting of the Policy & Resources committee for approval.
- 3.15 As well as fulfilling all legal requirements, adhering to the OJEU formal procurement process will ensure competition and therefore, VFM and best consideration.
- 3.16 Following the successful Stage 2 ACE funding bid and Round 1 HLF bid, it is proposed that the Phase 1 architect led design team will now be procured to progress the detailed design and construction tender documentation. This appointment to deliver Phase 1 will be funded through the successful ACE Stage 2 bid. Procurement of the contractor will be subject to further successful fund raising for the Phase 1 construction costs.
- 3.17 The Interpretation Strategy, Brand Identity & Wayfinding and Management & Maintenance Plan for the Royal Estate will also be prepared within Phase 1 and procurement of consultants or direct employment to undertake these pieces of work will be carried out. These appointments are also to be funded through the ACE Stage 2 bid.

Funding

- 3.18 Funding for the phased works will be split between public sector, trusts and institutions, and private donations. The project funding targets for the overall

phased capital improvement works over the next four years are set out in the following table.

Capital Improvement Works	£m
Government Grants	24.9
External Contributions / fundraising	14.7
BHCC	2.0
Capital Improvement Works income requirements	41.6

3.19 The Phase 1 total project budget to the end of the delivery phase is £19.1m, which has been established through design to RIBA Work Stage 3 Developed Design (previously RIBA Work Stage D) and verified by the project cost consultants. The combined ACE and HLF funding provides £10.8 million of the total Phase 1 project cost.

3.20 For Phase 1 the secured funding and funding targets are set out below:

Development Phase	£m
Arts Council England (ACE)- secured (Stage 1)	0.199
Heritage Lottery Fund (HLF) development grant- secured	0.176
External Fundraising	0.020
BDFL contribution	0.154
Development income	0.549
Delivery Phase	£m
Arts Council England (ACE)- secured (Stage 2)	5.603
Heritage Lottery Funding- (Round 1 approved subject to Round 2 approval)	4.823
Other government grants (LEP Application now anticipated post May 2015)	2.000
External Fundraising	5.230
BHCC	0.750
BDFL	0.102
Delivery income	18.509
Total Phase 1	19.058

- 3.21 In addition to the ACE and HLF contributions of £5.8 million and £4.995million respectively, circa £8million will need to be raised through public funding and private contributions. It is a requirement before ACE releases most of its match funding (£5m) that 100% of fundraising for the project has been raised.

Resources

- 3.22 Resources for the delivery of the project will be drawn from existing staff, appointed consultants and project funding secured from ACE and HLF. A project team including representatives from RPM, BDFL, Legal, Finance, Property, Procurement, project managed by the Major Projects Team, has been established. The project team will report to the *Cultural Services VfM 4 Steering Group – Part 1 – Royal Pavilion Estate & Cultural Governance*, while ensuring appropriate involvement of BDFL and its trustees in the decision making process and project governance.
- 3.23 Allocation of Strategic Investment Fund will be made to provide project support in 2014/15 to progress fundraising and minor works and future allocations from the Strategic Investment Fund may be made to these works. The ACE and HLF secured funding includes allocations to cover producing the Phase 1 detailed design through the appointment of an architect lead design team.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The Stage 1 HLF bid that was submitted in November 2013 was unsuccessful and HLF advice was to phase the capital works and submit smaller bids for each phase. This approach is now being adopted instead of carrying out all the works together.
- 4.2 The option of doing nothing is untenable as major investment and a sustainable business model are urgently required to protect the historic fabric of the buildings and the Garden for future generations.
- 4.3 User-feedback collected by BDFL suggests that the 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 works will contribute to creating a world-class cultural destination in the heart of Brighton & Hove and delivers 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.

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, three stakeholder workshops have taken place with a fourth focused on young people held in December 2014 with a follow-up stakeholder workshop to be arranged once all feedback has been collated in early 2015. A public exhibition started in Jubilee Library on 24 November 2014 to gather further feedback along with an online survey on the council's consultation portal. A Member workshop is also to be arranged.

6. CONCLUSION

- 6.1 The opportunity of ACE and HLF funding, along with other funding sources, must now be taken if the future of the historic fabric of the buildings and the Garden is to be secured.
- 6.2 The advice from HLF that the project should 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, Brand Identity & Wayfinding and Management & Maintenance Plan 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.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The Phase 1 project with an estimated cost of £19.1 million is to be funded through a combination of Heritage Lottery Grant and Arts Council England Funding and external fundraising with match funding from both the Council and other parties including BDFL. The fundraising target is a significant risk to parties, and the award of the ACE grant is conditional on 100 % of the project funding being in place. The staging of the project is such that only costs relating to development funding will be spent before the capital works can commence. Progress in fundraising will be monitored as a key risk and agreement will need to be reached on how any shortfall is addressed between the parties.
- 7.2 The Council is acting as lead party for the project and will receive the government grants, act as the accountable body and make all payments against the project in accordance with the Council's financial procedures. In considering acting as lead party, the S151 officer must be satisfied that financial regulations are observed. The Council will wish to ensure than any risk exposure of cost overruns, income shortfalls and other financial risks are mitigated against. In considering the most appropriate legal structure to formalise the relationship between the Council and BDFL the VAT and other tax issues will need to be reviewed and implications set out in a further report to the Policy & Resources Committee.
- 7.3 The Council's funding contribution of £0.750million for Phase 1 capital works is expected to be met from the realignment of the sinking fund and other elements within the annual contribution from the Council to BDFL and SIF funding for fundraising and minor works. Agreements for these elements of funding will be obtained through the capital programme budget reporting for the relevant financial year. The Council's contributions are reflected in the Council's 10 year Investment Strategy.

- 7.4 The procurement process will ensure compliance with the Council's Contract Standing Orders and Financial Regulations. The procurement process will be prepared on a basis to maximise economy and effectiveness and will therefore support achieving value for money.
- 7.5 A sum of £10,000 will be set aside from the 2014/15 Strategic Investment Fund to provide support to the council's major projects team in preparing the procurement and bid. Future funding from the Strategic Investment Fund will need to be agreed on an annual basis

Finance Officer Consulted: Anne Silley

Date: 19/12/14

Legal Implications:

- 7.6 The main procurement and governance issues are set out in part 3 of the report. Care should be taken to avoid entering into a Partnership arrangement with BDFL without a comprehensive Partnership Deed and appropriate security to supersede the Memorandum of Understanding.
- 7.7 Consideration should be given to alternative joint venture structures e.g. a limited company. In a Partnership, liability of the parties is both joint and several and open-ended. In a limited company, a limited liability partnership or some other regulated incorporated commercial entity, liability is limited to the assets of that entity.
- 7.8 Regard should be given to the rules around State Aid when applying state funds and working with BDFL.
- 7.9 The Council is bound by its Contracts Standing Orders and the OJEU procurement rules as set out in part 3 of this report.
- 7.10 It should be noted that as the accountable body for the funders (Arts Council England and Heritage Lottery Fund) the Council will have financial exposure to costs and claw-back in the event of failure to deliver the project outcomes or breach of the funders' terms. Arts Council England reserves in its terms and conditions the right to "withhold or demand repayment of all or part" of funds in the event of breach of the terms of the grant. The Heritage Lottery Fund terms and conditions will be considered in due course.
- 7.11 In light of the above, in the event that the architects or any other part of the project team become aware of the need to change the design/ layout, extra works required, or any over or under-spend it is imperative that Arts Council England are properly notified in accordance with their terms and conditions.
- 7.12 Arts Council England will require a legal charge over the Council's interest in the property which will subsist for 30 years from the date of the grant. The Council will require the Arts Council England's consent before any disposal of the property (e.g. a lease to successor body to BDFL). Other funders (including Heritage Lottery Fund) may require further security.

- 7.13 The future report referred to in the final recommendation will deal with any necessary changes to the lease and other existing contractual arrangements with BDFL.

Lawyers Consulted: Oliver Asha 05/12/14 & Bob Bruce 22/12/14

Equalities Implications:

- 7.14 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 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:

- 7.15 7.15 The project's Phase 1 sustainability consultants, as part of the on 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. At present, the project is anticipated to achieve a BREEAM rating assessment of Good.
- 7.16 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.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

- 7.17 A risk register for the project will be maintained by the project manager and is a requirement of both ACE and HLF. The risks and mitigating actions will be considered by the Royal Pavilion Estate & Cultural Governance Steering Group and escalated where necessary.
- 7.18 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.

SUPPORTING DOCUMENTATION

Appendices:

Appendix 1: Phasing of Capital Works to the Royal Pavilion Estate

Documents in Members' Rooms

None

Background Documents

None

Phasing of Capital Works to the Royal Pavilion Estate



**Projected Project
Costs £**

Phase 1	Corn Exchange / Studio Theatre	19,100,000
Phase 2	Royal Pavilion Garden	7,500,000
Phase 3	The Royal Pavilion	9,000,000
Phase 4	Museum / Brighton Dome / Northgate House / Old Courthouse	6,000,000
Total		41,600,000

The above plan illustrates the phased approach to deliver the capital works along with the projected total costs for each phase.

