

HISTORY CENTRE

Scrutiny Report for 5 October 2016



PLYMOUTH
CITY COUNCIL

INTRODUCTION

This report sets out the development of the History Centre Project and confirms the successful announcement of the Heritage Lottery Fund (HLF) grant of £15.77m. It also updates Scrutiny since the last report on the 30th September 2015.

In a recent Herald editorial on the 3rd September 2016 the History Centre was described under the heading “Future’s bright with our new History Centre”. The article said “we admit that it is the intriguing construction of the History Centre that catches the eye”. The reasons this project is affectionately described as “our” are because it has, at its heart, a passionate desire to speak out for the cultural heritage of a proud city in a historically significant region.

The city’s historic significance never fails to surprise people. When they take the time to consider how influential the city and its people have been in the world’s exploration and colonisation they are genuinely amazed by the amount of world history that comes out of Plymouth. Even Janners who count themselves as born and bred in the city are often awestruck by the facts of the city’s history, and the discoveries that so many can make about their ancestral connection to major events in world history.

It is perhaps not surprising therefore that a project that captures hearts and minds so passionately has gained so much support from so many organisations. So far every organisation that has been asked to support the project financially has done so without reservation. Indeed many of the funders have supported the project to unprecedented levels for city and region, meaning that we will never have a better opportunity to reset the cultural experiences of our city and build off the economic capital this project will generate.

OUTCOMES AND BENEFITS

The development of the History Centre is a city and regional priority. It is a major feature of the Local Economic Strategy, the Vital Spark Cultural Strategy, the Plymouth Plan and the flagship of the developing proposals for the celebrations of Mayflower 2020. It is therefore a critical component to Britain’s Ocean City.

The History Centre will bring together a unique combination of cultural partners and heritage collections including the City Museum and Art Gallery, the Plymouth and West Devon Record Office, the Local History Collections of Central Library, the South West Film & Television Archive, the South West Image Bank, Plymouth University (including Peninsula Arts), the Naval Heritage Centre, the British Broadcasting Company and Plymouth College of Art. The objectives of the History Centre project are to translate this into a major cultural statement and complete a step change for the Plymouth cultural sector.

The History Centre will provide a new visitor attraction that supports the targeted increase in tourism in the city and the region. It is estimated that it will support just over 500 additional jobs in the tourism industries and will increase the number of visitor to the Museum from 100k to between 200-250k per annum.

DEVELOPMENT STAGE

The History Centre programme was initiated in September 2013 with proposals to submit a major application to the Heritage Lottery Fund (HLF). The proposal, described by HLF as “inspiring and compelling”, resulted in a £12.8m “in principle” funding approval. Officers have developed the detail of the proposals over an 18 month period. Initially building a professional

team with the correct experience and expertise to offer advice, but then developing the building and exhibition design proposals, evaluating the conservation requirements of the collections, engaging with audiences and the community and developing an activity plan for when the museum is closed for the construction works to take place.

The development stage lasted to Spring 2016 when a stage 2 applications were submitted to HLF and the Arts Council England (ACE) and the Planning Application was submitted. These events marked the end of the development stage.

LOCATION

The project is situated at the site of the City Museum and Art Gallery including the old Central Library building and the library annexe which was housed in the former St. Luke's Church. The surrounding public realm from the top of the museum to Drakes Circus will be transformed into a state-of-the-art cultural centre to open as part of the Mayflower 400 celebrations.

Following the refurbishment of Taylor Maxwell House in the city centre and the moving of the lending sections of the Central Library this has vacated the old Central Library and the library annexe, known as St Luke's. This allows the demolition of a section of the 1956 Central Library building and the garages adjacent to St Luke's Church, which creates a site for the erecting of a new extension to the Museum which connects the old Central Library building and museum buildings.



A careful decanting strategy has been devised that allows all the buildings to be vacated in time to have a substantial building programme across the whole of Tavistock Place. In total the

solution will have brought together 9 buildings scattered around the city into just one building complex at Tavistock Place.

PHYSICAL OUTCOMES

The new extension will consist of a café and shop and a orientation exhibition known as the “Catalyst Space” on the ground floor with a study area including the local history library known as an “Active Archive” on the first floor. Above this, on a second floor, will be a “floating” archive that will be the repository of the collections housed in environmentally controlled storage space. The works will also include the refurbishment of all of the museum galleries, expanding these where functions such as the education room, café and shop are moved out into the new sections. The parts of the old Central Library that will be kept will be converted to staff work rooms and offices as well as room for the University and History Centre to teach a new MA course in archives and record management.



A further physical outcome will be the conversion of St Luke’s Church formally used as a library annexe, into an exhibition hall that will offer the largest art exhibition space in the South West. The building will be refurbished externally and converted internally to gallery standards.

To ensure that the buildings function together a new public realm will be created in Tavistock Place extending down to the Drake Circus crossing.

COSTS

When all the elements of the programme are considered, including the move of the Central Library, the total capital and one off revenue cost is estimated to be £34.11m, subject to the final market testing through the procurement. This estimate has been derived from a comprehensive elemental cost analysis of the proposals. In the cost plan for the building works over 50% of the work packages have been market-tested and in the case of the Library the actual costs are known as this works have been completed.

The above cost is broken down into £29.96m capital and £4.15m one off revenue costs; the revenue is largely funded through the HLF as this grant is not specific in its revenue/ capital split. Excluded from these costs, however, is “in kind” support which is reported to HLF and the Arts Council. If these are valued they would account for a further £2.88m.

The last capital business case was presented in March 2016, and there will be a further iteration in November this year before the final procurement costs are known, when the

building contract is ready to be let by the end of this year. There remains the risk that the market place's response to the capital building works is higher than predicted and this is a function of the condition of the construction market, as much as it is the scope of the works. A great deal of work has been undertaken by the technical teams to develop the designs to a detail sufficient to tender the works accurately; this includes investigation works to uncover unforeseen issues in the existing buildings and street. In doing this the scope of the works is clarified and the contingency is reduced. However it remains a question as to the heat in the market place in the local sub contract market as to the competitiveness of the prices we receive back..

Construction experts have initially predicted that construction prices will fall by as much as 6% by the end of 2018 due to recessional effects, with the main impact from the vote to leave the European Union to hit next year.

Construction entered recession in the first half of this year and reduced confidence is expected to cause a further contraction, and this will result in growing competition amongst contractors for work.

In opposition to the above, however, there is a reported rise in material costs of between 6-8% over the past year, in part due to the devaluation of sterling following the Brexit vote. This could see contractors caught between a rock and a hard place, with input costs rising as demand falls away.

This predicted cost increase poses the greatest risk to the commercial and residential sectors, where dollar or euro denominated expenditure makes up 20-30% of costs. These increased costs are expected to continue to eat away at contractor margins even as prices fall.

Construction experts also expect labour costs to continue to keep costs high, due to the acute skills shortage. Labour input costs are thought to rise 6% per year in the short term.

In the local supply chain there is little evidence of the expert advice set out above. The HLF advisor on construction agrees that the recessional affects discussed nationally are not being experienced in the local market place and as a consequence the risk of tenders being returned higher than budgeted are still being carefully considered.

TIMESCALES

The driver for the programme is to have the visitor experience open for the spring season in the year of 2020, in time for the Mayflower celebrations. This is a fixed deadline that imposes constraints to the programme and risks to the procurement and funding assembly.

The programme is broken down into five stages and we have now completed stages 1, Visioning and stage 2, Development. This second stage was the formal development as set out to meet the HLF and ACE requirements. This was completed in the spring of this year and we have been gaining the relevant funders' approvals over the summer period. We are currently in Stage 3 which will see the procurements all completed ready for the building contracts to be let and the construction started. The building period is a long process which will take 2 years to complete before the project can start its final stage 4 which is the major fit-out of new museum and visitor exhibitions. The high-level time table (Fig.1) below shows how the programme will continue through construction, and fit-out for a completion date in early 2020.

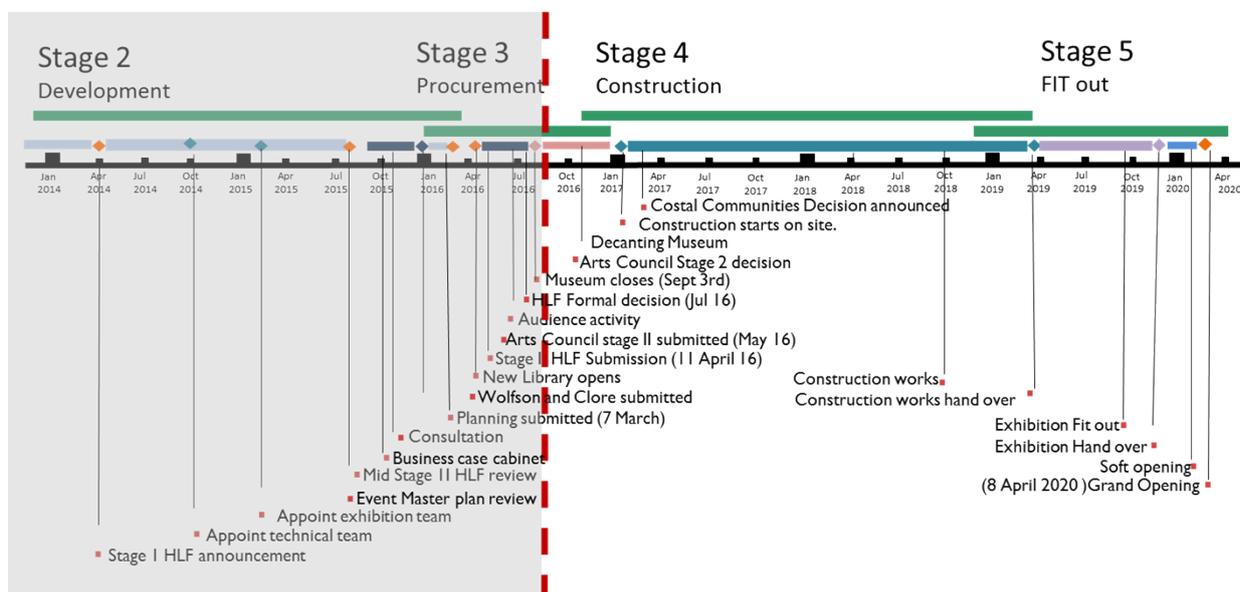


Fig 1

Key to the timeline is the substantial periods for the construction and fit-out, and professional advice has been sought for the correct periods for these elements along with an understanding of risk in overlapping these activities. The building procurement has been undertaken in a two stage process which has allowed us to appoint the contractor early and gain the benefit of the contractor's expertise in programming building works. This procurement of the contractor was completed in July 2016 and the appointed contractor (Willmott Dixon) has programmed out the build period of 21 months, this being 3 months less than originally programmed. However, this incorporates a later start to ensure that the design and investigation periods are completed thoroughly before construction starts.

Advice on overlapping the construction and fit-out programmes suggests that these are best kept separate to reduce risk of contractual liability. However, it is understood that an element of overlap is normally achieved and the current programme assumes an element of overlap in that the museum refurbishments will be completed before the new archive is completed, allowing the more extensive museum fit-out to be started in advanced of fitting-out the new extension.

FUNDING

The development of the History Centre has been a long process and a small proportion of the necessary capital resources have been in the Capital programme since 2010. In September 2013 cabinet paper a further £3.5m was earmarked for the programme to make match funding that supported the HLF bid, at this stage dependent on the success of the bid. In February 2015 a report on the Round 1 proposals was presented which highlighted the inflationary effects of the slower programme recommended by HLF at bid stage. Inflation has been subject to a detailed study throughout the project and in October 2015 a full business case was presented to cabinet that set out the extent of the Council's contribution to the building costs. By March 2016 the extent of the exhibition costs was understood and the final business case set out a Council capital contribution in match funding of £9.40m (including the Library move). There is also a further £610k of one off revenue costs throughout the life of the project funded from within existing budgets.

The income to support the project includes a series of very large external grants, many of which are bid for from national resources. A considerable amount of work has been done to coordinate the opportunities from national investment programmes. In total a sum of £24.15m will have been bid for and so far the success rate in gaining these external grants has been very successful (98%) as national funding bodies continue to be very impressed with the visioning and ambition of the project as a whole.

The major announcement of the HLF Round 2 application in July this year is a fundamental building block to the funding assembly. The grant awarded was for a total of £15.77m, which included a total of £2.9m uplift on the original Round 1 ask. This success is hoped to be followed in the middle of October with the announcement of the ACE Stage 2 application confirming a further £4.17m.

In March this year it was identified that the tipping point on funding assembly would be reached in the late Autumn of this year where a decision to go ahead with the construction works would need to be made before all funding would be announced by the different funding bodies, and so the Council took the decision to underwrite the outstanding funding assembly at this stage. The executive decision taken in March 2016 underwrote a value of £4.00m for fundraising over the next two years from other public sector agencies, from trusts, foundations, the private sector and from individual donations and crowd funding.

Since this decision, the Wolfson Foundation has granted £128,500, reducing the underwrite to £3,871,500 and applications have been made for substantial other funds.

HLF FUNDING AGREEMENTS

Further to the HLF announcement fully to support the project in July 2016, the conditions of the grant have been received. This contract is generally a standard funding agreement; however the nature of the partnership for this project means that the collections of SWFTA and SWIB are fundamental to the proposals and HLF require these organisations, as legal entities, to be jointly and severally liable with the Council as parties to the funding agreement in the event that there has been a breach of condition. It is proposed that, as it is the Council that will be the Accountable Body for the funding, it is reasonable for the Council formally to indemnify these organisations from clawback arrangements. This is also necessary as the organisations do not have the financial means to accept such liability and would therefore not be able to play their part as a partner organisation.

To resolve the above point it is proposed that the Council makes a formal agreement to indemnify SWFTA and SWIB against clawback.

STRATEGIC RISK

As expected of a project that has strategic benefits, there are a number of risks that the Council is taking in delivering such a large and complex project.

It has been widely accepted from its inception that a project that seeks to make a step change in the cultural experience of the city will have a sizeable price tag, The Council has been very successful in gaining external funding support for the venture, however, it is right that the Council is also funding a proportion of the cost and will stand behind the remaining funding assembly. The Council is therefore taking the risk that if the remaining funding cannot be assembled, the costs to the Council will include the underwrite sum. This risk is mitigated through a very strong network of stakeholder involvement through the national funding organisations; the track-record the Council has achieved in funding assembly so far in the project has been exemplary; and there is no reason to believe that this will not be continued with the remaining funding opportunities identified.

There remains the risk that the construction market place for both the building and exhibition contract offer exaggerated costs for the works. This risk has been mitigated through very extensive supply chain engagement, and has been helped locally by the publicity of the project, which opens up the project to greater competition.

NEXT STEPS

The History Centre project is due to be presented to Cabinet on the 8th November to update the council on the remaining funding decisions, and for the Council formally to accept the major grants and their conditions, and to consider the indemnification arrangements for partner organisations.

The tender information will be completed and assuming that the tender price is within the budgeted amount, a Delegated Decision will be taken by the Director of Place to award the building contract. Works will begin before the spring 2017.

RECOMMENDATIONS

It is recommended that:

The content of this report is noted and Scrutiny recommends to Cabinet that the arrangements for the development of the History Centre project are progressing well and that the risks are carefully considered.

That it is reasonable to indemnify our partner organisations for the funding clawback to allow the collections to be fully integrated into the History Centre.