

ITEM NO: 11

DECISION-MAKER:	CABINET		
SUBJECT:	SEA CITY MUSEUM SCHEME APPROVAL		
DATE OF DECISION:	2 AUGUST 2010		
REPORT OF:	CABINET MEMBER FOR LEISURE, CULTURE AND HERITAGE		
AUTHOR:	Name:	Tina Dyer-Slade	Tel: 023 8083 3597
	E-mail:	tina.dyer-slade@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

Appendix 1 is not for publication by virtue of Categories 3 and 4 of paragraph 10.4 of the Council's Access to Information Procedure Rules as contained in the Council's Constitution. It is not considered to be in the public interest to disclose this information because the Appendix contains confidential and commercially sensitive information which would impact on the integrity of a commercial procurement process and the Council's ability to achieve 'Best Value' in line with its statutory duties.

SUMMARY

The purpose of this project is to seek the approvals needed to take the Sea City Museum project through to completion. On 20th April 2009, Cabinet gave approval to spend £992,000 on developing Phase 1 of the Sea City Museum within the Leisure and Culture Capital Programme funded from Council resources and a successful Heritage Lottery Fund (HLF) bid. On the 23rd November 2009, Cabinet gave approval to spend a further £375,000 to undertake further development work at risk whilst the Round Two bid was being considered by the HLF. On the 17th February 2010 Council added £13,585m in to the Leisure Capital programme for the implementation phase of the project. £1.223m was made available to carry out repairs to the building fabric, including asbestos removal in the areas of the building not being used as part of the first phase of the project. In March 2010 the HLF advised that the bid had been successful and therefore this report seeks all the approvals necessary to take the project through to completion.

RECOMMENDATIONS:

- (i) That, in accordance with Finance Procedure Rules, Cabinet approve the transfer of a ringfenced capped sum of £1.283m from the Resources portfolio into the Leisure and Culture Capital Programme per the approval to carry out repairs to the fabric of the building, any underspends will be transferred back to the ASAP project;
- (ii) That, in accordance with Finance Procedure Rules, Cabinet approves the increase in the total spend on the implementation of this scheme by £14,793,997 (to a total scheme value of £16,209,000) to be phased £4,185,565 in 2010/2011, £9,878,424 in 2011/2012 and £452,168 in 2012/2013 and £277,840 in 2013/2014;
- (iii) That Cabinet notes that the additional capital financing costs in 2010/11 of £40,000 can be met from existing capital financing budgets but that a sum to cover the additional capital financing costs in subsequent years

will need to be allocated from the £2M allowance made for additional pressures that was included in the high level General Fund forecast reported to Cabinet on 5 July and that this may need to be increased if the circumstances set out in the report to Council in February materialise;

- (iv) That Cabinet approves the implementation of a procurement exercise to identify a management partner for Sea City Museum, with the option of including other heritage venues, subject to an economic assessment of the costs and benefits being completed in accordance with the councils approved project appraisal process and, on the basis that the procurement proceeds:
- Agrees to draw up to £150,000 from contingencies to fund the procurement exercise in 2010/11 and
 - Delegate authority to the Executive Director of Neighbourhoods, following consultation with the Executive Director of Resources and the Solicitor to the Council, to do anything necessary to conclude the procurement including, but not limited to the evaluation of tenders, selection of the preferred bidder and contractual and financial close
- (v) That Cabinet gives delegated authority to the Executive Director for Neighbourhoods, following consultation with the Solicitor to the Council and the Executive Director of Resources, to enter into any agreements or undertake any other actions necessary to implement this project to completion.

REASONS FOR REPORT RECOMMENDATIONS

1. To enable the implementation of the project, which is necessary at this time if the target completion date of 2012 is to be achieved.

CONSULTATION

2. Over 2000 people were consulted during the development of the Sea City Museum project prior to submission of the round two bid in November 2009. More recently the project plans and models were displayed in the art gallery for public viewing in February 2010 to coincide with the planning application being submitted. Since the last report in November 2009 communications have continued with a wide range of organisations outside the city council including the HLF, English Heritage, the Police, the Coroner's Service, local interest groups and the two city universities. Regular communications have been maintained with Capita regarding the accommodation project which is closely related. Consultation within the City Council has also continued with officers in:- Planning, Procurement, Civic Buildings, Insurance, Transport, Highways, Open Spaces, Legal Services, Finance and Projects.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. Not to authorise the expenditure required to implement the project. This would prevent the project proceeding.

DETAIL

4. In April 2009, Cabinet approved expenditure of £992,000 to take the development of the project from early feasibility to the stage when it would be ready to make a Round 2 application to the HLF. This application was submitted in October 2009.

On the 23rd November 2009, Cabinet gave approval to spend a further £375,000 to undertake further development work at risk whilst the Round Two bid was being considered by the HLF. Prior to this £48,000 had been approved for the feasibility stage of the project bringing the total approved spend to £1,415m. On the 17th February 2010 Council added £13,585m in to the Leisure and Culture Capital Programme to demonstrate their commitment to the project to the HLF. £1.223m was made available to carry out repairs to the building fabric, including asbestos removal in the areas of the building not being used as part of the first phase of the project. In March 2010 the HLF advised that the bid had been successful in being awarded a further £4.6m towards the project on top of the funding already awarded after the round 1 application. A further £60,000 is being transferred from Resources Portfolio as a contribution towards the provision of a new transformer and associated works as the electrical demands for the civic complex exceeds the supply available. The HLF element of the project has been reduced by £74,003 due to savings made on the project. The increased funding requiring approval for Phase 1 is £13,510,997 and for phase 2 £1,283,000 making a total of £14,793,997.

5. Phase 1 of Sea City Museum will include two permanent exhibitions plus a special exhibitions gallery. The Gateway exhibition will tell the story of Southampton as Gateway to the World, and will chart the movement of people through the port since pre-history. The Titanic crew's story exhibition will tell the so far untold story of impact the Titanic had upon Southampton and particularly the crew and their families. The first temporary exhibition will be about "Titanic the Legend" covering the fascination in the Titanic since 1912, which has revealed itself through the production of films, publications and the search for the wreck. During the first year of opening there will be a particular emphasis on the Titanic to tie in with the 100 year commemoration of the sinking of RMS Titanic.
6. The project will create a nationally important visitor attraction that will showcase the City's archaeology and heritage collections. Extensive use will be made of personal objects, documents, photographs and oral history testimony from the collections.
7. The business plan submitted to the HLF as part of the Round 2 application estimates around 150,000 visitors per year. A procurement process is currently being planned to ensure that there is management in place early enough to ensure effective marketing and promotion of the venue in advance of opening to ensure these visitor targets are met.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

8. The total scheme value for the Sea City Museum is £16,209,000. Of this sum, £1,415,003 of expenditure has already been approved, with the balance of £14,793,997 now requiring approval.

The total scheme value is broken down as follows:

	£
Heritage Museum (main contract and fit out)	14,986,000
Repairs to existing building incl asbestos removal	1,223,000
Total	16,209,000

9. To implement the scheme Cabinet needs to approve, in accordance with finance procedure rules, the final phase of spending on this scheme of £14,793,997 to be phased £4,185,565 in 2010/2011, £9,878,424 2011/2012 and £452,168 in 2012/2013 and £277,840 in 2013/2014. This expenditure includes spending of £1.283M on the cost of a transformer and associated works plus repairs to the building fabric for the areas of the building not being used as part of the first phase. Provision for this spending is currently in the Resources portfolio capital programme but it is preferable in contract management terms for the works to be undertaken at the same time as the main heritage centre works.
10. The table below shows the breakdown of costs during the implementation period of the project

Element	Detail	Estimate
Professional Fees and specialists	Design Team and Specialist Consultants	£1,254,083
Main Contract	Main Building works contract	£7,923,295
Exhibition Contract	Contract for the fit out of the museum	£3,615,657
City Council Staff cost	Those staff costs funded by the project	£192,741
Other	Survey costs/planning and legal fees and contingency	£1,808,221
Total Project Costs		£14,793,997

11. Of this new spending £4.6M will be funded by a grant from the HLF and there is a fundraising target of £5M. In addition funding of £1.283M is being transferred from the Resources Portfolio to match the transfer of capital budgets. Any underspends on this part of the project will be transferred back to the Resources Portfolio.
12. Progress has been made in relation to the fundraising element of the project. A fundraising group has been formed which it is intended will become a charitable trust with a remit to raise funding for the cultural quarter. A fundraising strategy has been developed which clearly sets out the approach proposed and there is also a prospectus that will be used to share with potential funders to attract interest.
13. This leaves £3.911M of resources required for which the council needs to identify

the funding. The report to Council in February 2010 gave details of the various funding avenues being explored but at this time, there is no certainty they will yield any substantial amounts. Whilst every effort will continue to be made to secure funding from these sources it would be prudent to assess the revenue implications on the basis that the £3.911M will need to be funded by prudential borrowing.

14. It is also the case that the £5M fundraising is unlikely to be delivered in time to meet the expenditure plans. The table below summarises the spending plans and expected funding:

	2010/11	2011/12	2012/13	2013/14	Later Years	Total
	£000	£000	£000	£000	£000	£000
Expenditure	4,186	9,878	452	278	0	14,794
Funded by:						
HLF	647	2,746	1,184	23	0	4,600
Fundraising	900	2,000	700	500	900	5,000
Agreed SCC funding	427	829	27	0	0	1,283
Long term borrowing	1,089	2,619	123	80	0	3,911
Temporary borrowing	1,123	1,684	-1,582	-325	-900	0
Total	4,186	9,878	452	278	0	14,794

15. The revenue costs associated with the above borrowing was not allowed for in the report to Cabinet on 5 July on "Changes to existing revenue and capital budgets". An estimate of the annual revenue costs is shown below:

Year	Revenue costs £000
2010/11	40
2011/12	170
2012/13	260
2013/14	250
Ongoing	240

Appendix 2 to the July report gave a high level forecast for the General Fund and this included a £2M pa allowance for other (unknown) pressures. An allocation could be made from this provision to fund this development but it would need to be borne in mind that this will reduce the sum available for any pressures (legislative changes and/or unavoidable impacts) which arise. The additional costs in 2010/11 can be met from within existing capital financing budgets.

Revenue

16. The plans for the Sea City Museum, which brings with it the closure of the Maritime Museum and Gods House Tower, and the opening of Tudor House Museum and Westgate Hall mean that it has been necessary to fully review the

current Arts and Heritage revenue budgets. The conclusion of this analysis is that there are options available to keep overall Arts and Heritage costs within existing budgets. These are set out in Appendix 1. This will reduce the ability of the service to deliver further savings in future budget rounds.

17. One of the options for keeping within revenue budgets is to consider the procurement of management partner. The procurement will be conducted in such a way that there would be the option of including other cultural venues. The costs and benefits of this need to be considered in accordance with the councils approved project appraisal process. Council on 14 July agreed to allocate £50,000 towards the costs of this procurement. The total costs will be established as part of the project appraisal referred to above. The procurement needs to be conducted as quickly as possible so the funding will be needed in 2010/11. It is therefore proposed that £150,000 is moved from the general fund contingency to the revenue development fund. This will enable spending of up to £200,000 to be incurred on the procurement in 2010/11.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

18. Under section 12 of the Public Libraries and Museums Act 1964, a local authority may provide and maintain museums within its area and may do all such things as may be necessary or expedient for or in connection with the provision and maintenance thereof. Under section 111 of the Local Government Act 1972, the Council shall have the power to do anything calculated to facilitate, or is conducive or incidental to, the discharge of its functions. This includes the power to enter into a contract in this regard.

Other Legal Implications:

19. Relevant procurement law and the Council's Contract Procedure Rules will be followed in taking this proposal forward".

POLICY FRAMEWORK IMPLICATIONS

20. The 'City of Southampton Community Strategy Towards 2026' launched in 2007 identifies within one of its 6 objectives, the importance of building upon existing collections to create new ventures which celebrate our rich maritime heritage for the benefit of visitors and residents. 'Towards an International City of Culture' arts and heritage strategic vision, approved by Southampton City Council in September 2008, proposes the Heritage Centre as a core ingredient of Southampton's emerging Cultural Quarter.

Property

21. If the Sea City Museum project does not proceed, in order for alternative uses to be viable, the Council would be required to invest significantly in major repairs to the Magistrates Court building over the next few years to maintain its weather tightness. There is no allowance for this in future repairs and maintenance budgets. To allow any functional use of the building will require a significant upgrade of the building for which there is no funding identified. Limited option appraisals have been undertaken to identify possible alternative uses, with no viable alternatives identified to date.

SUPPORTING DOCUMENTATION

Appendices

1.	Revenue assessment Confidential – not for general publication
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Documents In Members' Rooms

1.	None
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Background Documents

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Background documents available for inspection at: N/A

KEY DECISION? YES

WARDS/COMMUNITIES AFFECTED:	ALL
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