

Report title	Art Gallery Improvement Scheme Works	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Stephen Simkins City Economy	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Richard Lawrence, Director of Regeneration	
Originating service	Arts and Culture	
Accountable employee	Isobel Woods	Head of Skills and Enterprise
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Report to be/has been considered by	Regeneration Leadership Team	15 December 2020
	Strategic Executive Board	1 December 2020

Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the restart of the Art Galley Improvement Scheme Project - Phase Two from June 2021.
2. Approve accepting the grant funding of £159,758 from Arts Council England Cultural Capital Kickstart funding and approve the supplementary capital budget to be created from this grant.
3. Approve a virement of £290,000 from the Corporate capital contingency budget to create the required capital project budget to complete the Art Galley Improvement Scheme Project - Phase Two, as detailed in the report.

Recommendation for noting:

The Cabinet (Resources) Panel is asked to note:

1. That the additional cost required to restart the project will bring the total budget of the Art Galley Improvement Scheme Project - Phase Two to £1,526,000 and that this total includes £132,000 that was approved through an Individual Executive Decision Notice in February 2020. Total project costs for Phase one and Two are now £1,829,000.

1.0 Purpose

- 1.1 The purpose of the report is to seek Cabinet (Resources) Panel approval to restart phase two of the Art Gallery Improvement Scheme Project from June 2021.

2.0 Background

- 2.1 Cabinet (Resources) Panel agreed to approve capital investment at a total cost of £1,246,723 in the Art Gallery Site within the City Centre on 28 March 2017.
- 2.2 Phase one of the Art Gallery Improvement Scheme was completed in April 2018. This project involved refurbishing the first-floor exhibition space aimed to help attract more prestigious ticketed exhibitions and hired space income to the Art Gallery.
- 2.3 Phase two of the Art Gallery Improvement project involves:
- a. Re-locating the cafe to the ground floor and increasing covers to 80;
 - b. Improving the entrance on St. Peter's Passage to create one inclusive and fully accessible main entrance for all visitors.
- 2.4 In March 2020 Phase two of the Art Gallery Improvement Scheme Project was halted by the Director of Regeneration due to national lockdown restrictions arising from the coronavirus pandemic which prevented construction from commencing as planned.
- 2.5 The overall status of the project is now compromised, and a decision is now required on how to proceed with phase two of the Art Gallery Improvement Scheme.

3.0 Options

- 3.1 The Art Gallery Improvement Scheme Board considered an options appraisal on 30 July 2020 based on the following options:

Option	Option Detail
Option One (preferred option)	Restart phase two of the project from June 2021
Option Two	Stop the project
Option Three	Build the entrance area only
Option Four	Build the café only
Option Five	To continue to pause and not progress phase two of the Art Gallery Improvement scheme Project

- 3.2 The Art Gallery Improvement Scheme Board agreed that there were only two realistic options; Option One to restart phase two of the Art Gallery Improvement Scheme Project from June 2021 and Option Two to stop the Art Gallery Improvement Scheme Project. The Art Gallery Improvement Scheme Board agreed for Projects and Works to complete a fully costed analysis to understand the financial implications for each option.
- 3.3 Based on the cost analysis provided by Project and Works and taking into consideration the implications and significant importance of the Art Gallery to the city's regeneration

plans, the Art Gallery Improvement Scheme Board agreed, in conjunction with Regeneration Leadership Team and Cabinet Member for City Economy, that the preferred option would be to continue with full scheme based on a re-start date of June 2021.

4.0 Evaluation of alternative options

- 4.1 Option One to restart the Art Gallery Improvement Scheme and Option Two to Stop the Art Gallery Improvement Scheme were both considered in respects of the benefits each would achieve, the evaluation of the options was agreed with Regeneration Leadership Team, Strategic Executive Board and Councillor Member for City Economy.
- 4.2 Option Two is not recommended, this option was rejected on consideration that the benefits to restart the project outweighed the benefits to stop the project.
- 4.3 Most notably Option Two would mean that expenditure to date on this phase of the project, may not be capitalised and may have to be written back to revenue. If the project is stopped the grant received to date from the Arts Council of £108,000 may be clawed back as the full project for which the grant has been awarded has not been delivered.
- 4.4 Option Two would not support the Council's Relighting Our City Strategy which is a significant contributor to the city's strategic recovery from the coronavirus pandemic.
- 4.5 Option Two would also not support the Council's equality objectives as improvements for improved accessibility to the Art Gallery would not be built.
- 4.6 Stopping the project is also likely to result in damage to the Council's relationship with Arts Council England. If the Council does not continue the project it presents a disjointed approach to its cultural offer, which subsequently may impact on future funding opportunities for the Council.

5.0 Reasons for decision(s)

- 5.1 Option One to restart Phase Two of the Art Gallery Improvement scheme Project from June 2021 carries an additional cost of £450,000, bringing the total budget for phase two to £1,526,000, this is the preferred option.
- 5.2 Option One was agreed as the preferred option on the basis that the benefits to restart the project outweighed the benefits to stop the project.
- 5.3 The Council successfully won the Arts Council Capital Kickstart bid on 30 November 2020 and have secured £159,758 to restart the project which was halted due to the impact of the coronavirus pandemic.
- 5.4 Most notably this option supports a number of key objectives in the Council's "Relighting Our City" Strategy. This project will be a key driver for the 'Stimulate vibrant high streets and communities' priority and will be crucial in delivering this priority to consolidate the city's place as key cultural hub in the West Midlands.

- 5.5 Following the aftermath of the Coronavirus pandemic, the Art Gallery remains a significant cultural destination with a vibrant public events programme that brings thousands of people into the city. Option One ensures that the Art Gallery can improve and widen the cultural experience for local residents and visitors to the city as part of the overall regeneration of the City Centre and will help drive forward the city's economic recovery.
- 5.6 There will be wider social benefits for the city as a whole, as cultural venues make a huge contribution to local quality of life, local people's perception of the place and greater individual aspiration, as well as improving health and wellbeing and enriching the city's education offer.
- 5.7 The revised project delivery plan would ensure that the prestigious British Art Show 9 can commence from March 2021 uninterrupted by construction works.
- 5.8 The option also meets the corporate priority around diversity and equality by creating a more accessible Art Gallery entrance and relocating the café to the ground floor, resulting in a better customer experience and a wider cultural offer for everyone.

6.0 Business case

- 6.1 Taking into consideration the challenges emerging from Covid-19 it was appropriate to review the original business case, recognising the challenges emerging from the coronavirus pandemic.
- 6.2 For the purpose of the business case the first full financial year of operation is 2022-2023 as the café will be operational from January 2022.
- 6.3 The business case considers the Gallery's income sources, generated from café income, catering, weddings, corporate room hire and retail which would increase as a result of the investment from phase two.
- 6.4 The business case demonstrates that by relocating the café to the ground floor the café will become a more visible and attractive venue to visitors attracting more customers and therefore increasing profitability. The income streams identified in the business case are reliant on increasing the number of visitors and growth in demand for catering; developing the retail offering; weddings and corporate functions.
- 6.5 The business case as developed by the service, uses commercial assumptions summarised in section 6.6 which demonstrates the project funding can be repaid, over a period of 25 years. The impact on the Council's Medium Term Financial Strategy (MTFS) will be monitored closely through the quarterly monitoring and reporting processes, however, the business case demonstrates that income levels will be increased and that based on the assumptions given revenue achieved should be sufficient to cover the costs of funding the project.

6.6 The business case assumptions are as follows:

- An anticipated increase in visitor numbers to the café due to new ground floor location which will be more accessible and attract a wider customer base
- A predicted increase in average café spend per head due to improved café environment where visitors will stay for longer and new improved menu which will attract more customers
- An expected increase in number of wedding ceremonies and civil partnerships booked per year which will increase profit due to the unique city centre location and reasonable price the Art Gallery offers
- An anticipated increase in room hire bookings due a more attractive and accessible space with the completion of the scheme, a targeted marketing campaign and launch of a new Arts and Culture website
- An expected increase in spend in the retail area as a result of an increase in visitor numbers following the completion of the Art Gallery Improvement Scheme

6.7 It should be noted that there is a risk that if the business case assumptions are not realised, or are delivered to a lesser level, the ability for the Art Gallery to cover the costs of borrowing will be compromised. However, the service considers the assumptions used are reasonable and are confident the increased income can be achieved. The business case projections derived from moving the café to the ground floor rely on a significant increase in customers to the café, this is the critical assumption to secure the income levels required.

6.8 The business case currently considers an internal operation of the café, however the option of an external operator was also examined and although this was not viable at this time there may present a commercial opportunity in the future.

7.0 Financial implications

7.1 This report seeks approval to create the additional supplementary capital budget funded by grant and a virement from the Corporate Capital Contingency budget to continue the Art Gallery Improvement scheme, alongside approval to accept the Arts Council Kickstart grant.

7.2 The Art Gallery Improvement scheme had an initial capital budget of £1.2 million approved by Cabinet (Resources) Panel in March 2017 'Developing the Cultural Economy'. This budget of £1.2 million was split across phases 1 and 2 as follows: Phase one: £303,000 and phase two: £944,000. Phase one was completed in April 2018.

7.3 In January 2020 there was a requirement to fund additional fees of £132,000. A virement was approved through an Individual Executive Decision Notice (IEDN), from the Council's Corporate Capital Contingency budget in February 2020.

- 7.4 Due to the impact of Covid-19 the Art Gallery Improvement Scheme Project phase two was halted in March 2020. The projected costs to finish the project have now increased by a further £450,000 resulting in an overall required budget for phase two to a total of £1,526,000. The impact on the total project is detailed below. Along with the impact of Covid-19 on the construction sector, the figure also accounts for a contingency for Brexit and the kitchen fit out, which were not factored into the original budget when it was approved by Cabinet (Resources) Panel in 2017.

Art Gallery Improvement Scheme	Cost £'000
Original Phase Two Budget	944
Approved February 2020	132
Budget increase to be approved	450
Total Phase two Budget:	1,526
Phase one costs	303
Total final project costs	1,829

- 7.5 The table below sets out a detailed breakdown of the increased costs of phase two:

Description	Cost (£,000)
Art Gallery Improvement Scheme Project - Phase Two Budget (Approved February 2020)	1,077
Additional costs incurred due to Covid-19	339
Additional Brexit contingency	25
Additional cost to install and fit out the kitchen	75
Additional procurement fees	10
Total:	1,526

- 7.6 The Council has successfully submitted a bid to the Arts Council Capital Kickstart Fund for £159,758. This grant funding is to contribute towards additional costs incurred due to the Covid-19 pandemic. This grant will reduce the requirement for Council funding from £450,000 to £290,000.
- 7.7 The revised funding structure and the associated costs are provided in the tables below.

Total Project Revised funding	£'000
Borrowing 1	750
Virement – approved Feb 2020	132
Virement – seeking approval	290
Total	1,172
DCMS Wolfson	65
Arts Council	592
Total Project costs	1,829

Estimated Cost of funding	Total £'000	Annual cost of funding £'000
Borrowing 1	750	47.5
Virement – approved Feb 2020	132	8
Virement – seeking approval	290	18.5
Total	1,172	74

- 7.8 The table details the costs of funding the additional monies required to complete the project, however, as these will be funded through a virement from the Council Corporate Capital Contingency budget, this cost is included in the Council's approved MTFs and therefore does not increase the pressure on the Council's existing budgets.
- 7.9 The service have however developed a detailed business case, which supports the decision to fund the revised cost of the project, evidencing that based on the commercial assumptions detailed in the report above that the increased revenue generated from the project will be sufficient to cover the costs of funding, over a period of 25 years. It should be noted if the commercial assumptions cannot be achieved this could have a negative impact on the Council's budget.
- 7.10 Lastly, there is a further risk that should the Art Gallery Improvement Scheme not be completed by March 2022, grant funding received from the Arts Council, totalling £592,000 may be subject to clawback. These risks will be monitored as part of the delivery of the project and through the Council's financial monitoring and reporting processes.

[HM/11012021/D]

8.0 Legal implication

- 8.1 The statutory procurement regime applies to certain contracts that exceed the prescribed financial thresholds by virtue of the Public Contracts Regulations 2015 (PCR). Where works are procured above the threshold the full procedural requirements under Part 2 of the PCR apply. The threshold for works is currently £4,733,252 therefore the works comprising the Art Gallery Improvement Scheme are below the threshold.
- 8.2 Although the procurement for these works will not be subject to the full procedural requirements of the PCR, the procurement process must comply with the principles of transparency, non-discrimination and equal treatment and must be in accordance with the Council's Contract Procedure Rules.
- 8.3 The Arts Council Kick Start Funding is subject to the Council accepting the standard terms and conditions for the Cultural Capital Kickstart Fund. The terms and conditions cannot be negotiated. The Arts Council can recover sums paid to the Council if the Council fails to act in accordance with the terms and conditions.

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9.0 Equalities implications

- 9.1 Service user consultation is being undertaken throughout the design process. The refurbishment will incorporate inclusive design and align with BS8300 and the Equality Act 2010.
- 9.2 Proceeding with the project would ensure the Council is meeting its equality objectives.

10.0 All other implications

- 10.1 All timber is to be obtained from sustainable sources in compliance with FSC. There is an option for natural ventilation to café area (in warmer weather) where none existed previously this result in less energy consumption.
- 10.2 The refurbished areas, namely the entrance lobby and the new café area both feature existing windows re-glazed with insulated glazed units (double glazing). Heat losses in this area will be reduced as a result.
- 10.3 The existing entrance lobby operated with the main double doors permanently open and a secondary glazed sliding door into the main atrium during all opening hours. The re-configured lobby features the double doors again open during opening hours with a secondary glazed sliding doors into the lobby in addition to the glazed sliding doors into the main atrium which are retained. Heat losses in this area will be reduced as a result.
- 10.4 During evening operation, there is the option to close off the entrance lobby area, the new café and the new toilets from the rest of the gallery limiting the amount of energy consumed in lighting and heating these areas.
- 10.5 The existing luminaires are to be removed and replaced with new energy saving LEDs with low power consumption compared to traditional luminaires. In the restaurant area the power consumption will be reduced further with manual dimmer switches which will allow users to save energy from dimming the luminaires to suit the environment.
- 10.6 Ongoing support for the maintenance of the building has been identified and incorporated into Corporate Landlord Capital Programme.
- 10.7 If Cabinet (Resources) Panel agree to the recommendation to restart the Art Gallery Improvement Scheme Project – Phase two this will result in a wider social benefit for the city as a whole. Cultural venues make a huge contribution to local quality of life, local people's perception of the place, greater individual aspiration as well as special benefits and enrichment of the city's education offer.
- 10.8 The business case has been revised taking into consideration known implications of Covid at this present time.
- 10.9 Procurement and contractual arrangements will build in Covid secure principles into the tender.

11.0 Schedule of background papers

11.1 Cabinet (Resources) Panel – 25 July 2017 - [Procurement – Award of Contracts for Works, Goods and Services.](#)

11.2 Cabinet (Resource) Panel – 28th March 2017 – [Developing the Cultural Economy.](#)

12.0 Appendices

12.1 Appendix 1 - Art Gallery Improvement Scheme Works - Photograph