

Cabinet (Resources) Panel

28 March 2017

Report title	Developing the Cultural Economy	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor John Reynolds City Economy	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Keren Jones, City Economy	
Originating service	City Economy	
Accountable employee(s)	Marguerite Nugent	Manager, Arts and Culture
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Report to be/has been considered by	Place Leadership team	27 February 2017
	Strategic Executive Board	14 March 2017

Recommendations for action or decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve a staged delivery strategy for the proposed development of the central Art Gallery and provide permission to proceed with Phase 1 Option 3 which will include re-location of the café, improvements to the entrance of the building and refurbishment of the upstairs exhibitions spaces.
2. Approve a capital allocation of £750,000 towards the re-location of the café and improvements to the entrance financed through prudential borrowing.
3. Approve an additional capital budget of £65,000 for improvements to the upstairs exhibition spaces fully funded by a grant secured from DCF Wolfson Gallery Improvement Fund.

Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

That a capital allocation of £750,000 has been agreed as part of the Capital Programme report to Cabinet on 22 February 2017 and Council on 1 March 2017, subject to approval of this report.

1.0 Purpose

1.1 To approve capital investment in the Art Gallery site, one of the main city centre attractions, recognised nationally for its collections of Modern and Contemporary Art. The Gallery's position is further endorsed through its status as an Arts Council National Portfolio Organisation in receipt of regular funding from the Arts Council. The Gallery is particularly strong in British and American Pop Art, with a collection that is quite exceptional for a regional gallery. Historically this reputation has allowed the City of Wolverhampton Council to lever in funding from external sources not only for the Art Gallery, but also for the city's wider cultural offer.

1.2 The aim of the project is to:

- improve, and widen, the cultural experience for local residents and visitors to the city, as part of the overall regeneration of the city centre
- increase the levels of commercial income generated at the Art Gallery through improved hospitality, venue hire and special ticketed exhibitions

2.0 Background

2.1 The strategic planning for culture report, completed by BOP Consulting in December 2016, identified key projects which would advance the cultural provision in the city and recommended which of these should be prioritised. Improvements to the Art Gallery were one of those highlighted along with the civic halls refurbishment. The scheme should also be seen in the context of other city centre regeneration projects and the investments in the Bantock House Museum site. When considered in this wider environment the economic case for investment in the cultural sites is strengthened further.

2.2 Increasingly culture and the creative industries have becoming an important part of any city economy. A good core cultural offer is integral to achieving a better retail, hospitality and leisure offer, as well as its contributing to the creative industries sector, which in Wolverhampton supports 2,642 employees.

3.0 The strategic and economic case for investment

3.1 The strategic and economic case for the project is twofold:

- **Contribution to regeneration, place making and tourism:** A good cultural offer plays an important part in attracting inward investment, financial investment and wider regeneration. A strong city centre offer includes a choice for the day and overnight visitor. Culture has a key role to play alongside retail, sport and leisure. It contributes to increased visitor numbers and spend. The City's Art Gallery and Museum is an important attraction that makes up part of the City's offer in the city's investment pitch. A stronger, more inclusive offer will draw more visitors into the city who are more likely to visit other venues and stay overnight, thus boosting the wider retail and hospitality sectors. The scheme will improve the façade of the Gallery, which could also have light installations projected onto it as part of city-wide initiatives such as the Connected Places - 'Lights and Leaves' project.

- **Wider social benefits:** Cultural venues make a significant 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. The Gallery supports this work by presenting a high programme of exhibitions and events with complementary learning programmes. The exhibition programme includes national touring shows through partnership with Tate, The National Portrait Gallery and the Natural History Museum, which normally people would need to travel to London to see. The programme engenders local pride by drawing on the rich history of Wolverhampton and the Black Country and its place in the wider world. Learning programmes encourage people to acquire new skills and delight in their creativity, particularly young people. The Gallery has 14 Service level Agreements with local schools and attracts many more one-off visits, indicating that this is a strand of the Art Gallery's work that has the potential to grow. A key part of the improvement programme is to develop the educational provision within the Art Gallery. In addition the Gallery supports practising artists/makers by providing high quality exhibition and selling spaces, commissions and affordable studios, advocacy and development.

4.0 The financial and commercial case

- 4.1 In August 2016, the City Economy Service commissioned a feasibility study to identify how a capital investment in the Art Gallery could improve its offer and generate additional earned income. At the same time the Visitor Economy Service has been researching evidence of need for an improved offer by surveying customers and seeking external advice from peers. The public consultation on the opening hours at the cultural sites in October 2016 gave an insight into the types of product visitors wished to see in the Gallery. Visitors expressed a preference for local history and national touring shows. Increasing the temporary exhibitions space will allow the Gallery to programme national touring shows akin to the recent successful 'Wildlife Photographer of the Year', which made £12,000 gross income from ticket sales. Some of these exhibitions would be charged for and all have potential to generate further income through the sale of exhibition-related merchandise. The re-located café will allow us to offer extended opening hours for the café. Findings from the cafe survey last autumn indicated that people would be more likely to use the café if the hours were extended at the beginning and end of the day. The Visitor Economy Service is proposing a similar business model to Birmingham Museum and Art Gallery, who run the Edwardian tea room and also deliver corporate and evening events. Financial projections are based on advice from Birmingham Museum and Art gallery about the net profit that they make from their activity. The report into conferencing markets produced by Right Solution in 2015 recommended that refurbishment and up-grade of facilities to attract conferencing and banqueting offered the best return in investment for the city. The report also suggested that the Gallery with its unique setting and cultural offer would be the ideal venue for a welcome reception for conference delegates.
- 4.2 A feasibility study into the options for physical improvements to the Gallery, in order for it to improve its offer, was completed in November 2016 and three costed options, developed to RIBA stage 2 Concept Design Stage. These options considered three scenarios- **Option 1** a full scheme of internal and external works to be completed in one phase, **Option 2** relocation of a larger café only and **Option 3** re-location of the café,

internal and external works to be developed in phases, referred to in this report as **Phase 1** and **Phase 2**.

- 4.3 Operational knowledge and pro-bono advice from partners in retail and hospitality was used to calculate the financial return on investment for each option.
- 4.4 A hybrid of these options is being proposed, on the basis that the alterations that have the largest potential to generate income, namely the café, retail and exhibitions refurbishment should be prioritised. These elements would form phases 1 Improvements, and would be funded through £750,000 capital allocation, £65,000 from DCMS Wolfson Gallery Improvement Fund (secured) and £499,000 bid to the Arts Council Small Capital Grants Scheme (submitted 9th March 2017). The phased approach will allow us to implement a further phase of additional improvements to the basement and external area, if and when a larger grant from the Heritage Lottery Fund can be secured. However the elements that do not require additional external funding can be progressed without delay and with the current time frame we will start to see a return on investment by April 2018.
- 4.5 **Recommended option: phase 1:** Relocation of a larger café and key internal works has the potential to yield the following return on investment over five years:

Budget Heading	Net Additional Income 2018/19 £000	Net Additional Income 2019/20 £000	Net Additional Income 2020/21 £000	Net Additional Income 2021/22 £000	Net Additional Income 2022/23 £000
Café	34	41	42	44	49
Retail	0	1	1	2	3
Ticketed Exhibitions	11	12	13	14	15
Room Hire	19	19	20	21	21
Weddings and Functions	7	9	11	11	12
	71	82	87	92	100

- 4.6 Key components of the recommended option (**phase 1**) include:
- Improvements to the main entrance at the side, thus providing much better control over the rest of the building to maximise ticketing and hire of the ground floor and second floor spaces
 - Improvements to access for disabled visitors
 - Improvements to the ground floor contemporary gallery and gathering space to create a larger room for exhibitions and/or room hire.
 - An enlarged café providing 91 covers on the right hand side of the entrance, which can be accessed separately from the rest of the Gallery building. Openings provide access to small external terrace.
 - Improved more flexible exhibition space on the first floor which will help to attract more prestigious ticketed exhibitions and hired space income

- 4.7 If sufficient external funding is secured, key components of **phase 2** could include some or all of the following:
- Improved ground floor educational, learning and hire spaces which can be secured of from the rest of the building
 - A lower ground floor education room
 - Restoration of St Peter's Close to its full width
 - New external lighting
 - An amphitheatre
 - New levels in paving to provide a level access up to the main entrance
 - Outdoor café and seating area

5.0 Financial implications

- 5.1 The recommended delivery strategy for the Art Gallery Improvements is for the work to be delivered in two phases. The estimated costs of Option 3 are as follows:

	Cost £000
Phase 1	
Relocation of Café	750
Improvements to reception area and entrance and creation of gallery/ corporate space on ground floor	635
Improvements to exhibition space on first floor (funded by DCF Wolfson)	65
Refurbishment of digital space and improved interpretation on first floor	119
Fit out of new learning space on ground floor and equipment	55
Phase 1 Sub Total	1,624
Phase 2	
External Works including outdoor café	1,200
Phase 2 Sub Total	1,200
Grand Total	2,824

- 5.2 The first phase includes relocation of the café and improvements to the reception area estimated to cost £750,000. Cabinet on 22 February 2017 and Council on 1 March 2017 approved a capital allocation of £750,000, subject to approval of this report. A detailed business case has been prepared to show that additional net income could be generated from these improvements to cover borrowing costs of £46,000 per annum over a 25 year

term. It is estimated that after 5 years this investment could potentially generate net additional income of £69,000 per annum.

- 5.3 A grant of £65,000 has also been secured from DCF Wolfson Gallery Improvement Fund for improvements to the upstairs exhibitions spaces and this report seeks approval to this capital budget.
- 5.4 The remaining **Phase 1** works estimated to be £809,000 would need to be funded through additional external funding. As the Art Gallery is a National Portfolio Organisation in receipt of regular funding from the Arts Council for the programme, we have a good chance of success in applying for a capital grant from them. A bid for the new Arts Council Small Capital Grant scheme was submitted 9th March 2017 and we will know the outcome on the 1st July 2017. We have applied for £490,000 from this scheme. If successful we can start to draw down the grant from August 2017 and funding must be spent by March 2019. A further grant of £319,000 is being applied to from the Clore Duffield Foundation. We have submitted the first stage application and are awaiting the outcome of this. If we, are unsuccessful with these grant applications we will make a further application, up to a maximum of £634,000, to the Wolverhampton City Capital Funds. This would allow us to complete the key elements of the ground floor works namely the improvements to the entrance, reception and creation of gallery/ corporate hire space on ground floor.
- 5.5 For full implementation of Phase 1 the best case scenario secures £874,000 of grant with the remaining £750,000 funded through prudential borrowing at a cost of £47,000 per annum over 25 years. The worst case scenario would be that no further grants are secured and only the café and first floor exhibition space could be delivered. Under this scenario further prudential borrowing could sought to complete this phase. This would increase the borrowing to £1.6 million to be paid back over 25 years at a cost of £98,000 per annum. This additional borrowing could be covered through the additional net income of £100,000 that completion of this phase could generate after 5 years (see section 4.5). Progress with external funding applications will be monitored and any further requests for prudential borrowing will be subject to separate approval.
- 5.6 **Phase 2** works would require additional funding from the Heritage Lottery Fund through the Your Heritage strand. Bids are developed in 2 phases including a 12 month development phase followed by a longer implementation phase. There are four deadlines per year for this funding strand. We would be applying for a grant in the region of £1.2m to cover the remaining works. This would need to show outputs related to benefits to communities and heritage.

[ES/09032017/Q]

6.0 The project management case

The project will be managed by Project & Works within Corporate Landlord. Please see the governance diagram below.

The key milestones would be as follows:

Assume Cabinet Approval beginning March 2017:

- Royal Institute of British Architects (RIBA) Stage 1 feasibility completed December 2016
- RIBA Stage 2 and 3 Concept Design – completed 31 March 2017
- Planning & Listed Building Application – submitted 31 March 2017
- Planning & Listed Building Approval – 30 June 2017
- Submission of Building Regs -30 June 2017
- Tender Period Start – 1 June 2017
- Tender Period Finish – 1 July 2017
- Check Tender & Design Approvals – 1 August 2017
- Cabinet Approval – 1 September 2017
- Contract Signed – mid September 2017
- Construction Start on Site – mid – October 2017
- Construction Completion – April 2018

A project governance document is included as **Appendix A**. Design Plans are included as **Appendix B**

7.0 Legal implications

- 7.1 The Art Gallery is a Grade 2 listed building and consequently subject to planning rules and regulations for listed buildings. Historic England have been consulted at the early stages of the project. An initial meeting took place with Historic England on the 31 January 2017 to discuss the plans and conversations are on-going.
- 7.2 If any works or services are to be procured in connection with this project, the procurement will need to be conducted in accordance with the Council's Contract Procedure Rules and relevant legislation.
[TS/16032017/U]

8.0 Equalities implications

- 8.1 The proposals have considered equalities issues throughout their development and will make the site more accessible to visitors with disabilities. The current accessible entrance will become the main entrance and therefore the main point for all visitors to access the building. This sends out a strong and modern integrationist message to disabled people. Coupled with the ground floor location of the café, easier for those with disabilities to access. The gallery as a whole will have a stronger ability to attract disabled visitors with their families and friends and also support the council's wider ambition to promote independence for disabled people and increase income generation. There are no negative implications to the proposals set out and future works described in this report, conditional on other funding sources being found, will also see key access improvements implemented. Councillors can be confident that these and wider equalities issues have been, are and will continue to be central to the approach described here.

9.0 Environmental implications

- 9.1 This is an environmental improvement project for a Grade 2 listed building and the resulting design and delivery will improve the energy efficiency of the building, particularly the proposed alterations to the entrance and reception area.

10.0 Human resources implications

- 10.1 There are no human resources implications arising from this report.

11.0 Corporate landlord implications

- 11.1 The site is owned by the Council and the capital investment works proposed in this report would enhance and future proof the asset. As a result of these changes there will be implications to the on-going repairs and maintenance regimes over the lifecycle of the building. These will be assessed as part of the implementation works that are being undertaken by Project and Works, Corporate Landlord and any budget management implications will be identified.

12.0 Schedule of background papers

- 12.1 There are no background papers.