

Title of report: Accept and Spend the accepted Stronger Towns Funding for Hereford Museum and Art Gallery

Decision maker: Cabinet Member for Commissioning, Procurement and Assets

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

Central;

Purpose

To accept the Stronger Towns £5m funding, and approve up to a further £0.5m of expenditure related to the completion of the design stage of the project, and the appointment of a Design and Build contractor following procurement.

Recommendation(s)

That:

- a) To accept the £5m (capital) of Stronger Towns funding offered by government via the Accountable Body,**

b) To approve up to a further £0.5m of expenditure from the allocated capital programme required to complete the design stage of the project,

c) Authority is delegated to the Service Director for Economy, following consultation with the Cabinet Member Commissioning, Procurement and Assets, to make all operational decisions required to complete the design stage of the project, and to appoint a contractor on a Design and Build basis (initially completing the design stage) following the conclusion of the procurement process.

d) Authority is delegated to the Service Director for Economy to submit a £5m grant application for the project to the National Heritage Lottery Fund.

Alternative options

1. Not to progress the project, or implement the decision to spend in relation to funding which has been awarded to Herefordshire Council by Stronger Towns. This would mean the significant economic challenges identified in the Hereford Town Investment Plan would not be addressed.
2. The project is scaled back to a reduced funding envelope. It is unlikely the scale of change required could be achieved from a project so significantly reduced in scale.
3. The council could seek alternative funding. The council has already approved the submission of the Stronger Towns business case and funding has been awarded. In addition, the council have amended the capital programme and approved an £8m funding contribution from capital receipts reserve. No other funding routes of the scale required are available at this time.

Key considerations

4. The council are leading the development of a flagship £18m project to develop a new Hereford Museum and Art Gallery. The development is a key project in the Hereford Town Investment Plan, will play a critical role in the regeneration of the city centre as part of a new cultural quarter, and create a new significant visitor attraction in the county forecast to attract 75,000 visitors per annum.
5. On 28 June 2022 Cabinet approved that the council submit the Stronger Towns Fund Full Business Cases for the Hereford Museum and Art Gallery redevelopment project, and to recommend adjustments to the capital programme to reflect proposed changes to funding levels and sources ([Decision - UK Shared Prosperity Plan Submission to Government - Herefordshire Council](#)). The Government has subsequently awarded the project £5m of funding, this decision now seeks Cabinet Member approval to accept the grant and to spend up to a further £1m of expenditure from the allocated capital programme required to complete the design stage (RIBA stage 3+) of the project. A further cabinet decision will be brought forward once all funds and planning permission are secured, seeking approval to enter the delivery phase of the project.
6. The council is currently preparing an application for the final stage of National Heritage Lottery Funding application process, seeking the £5m required to complete the funding package. It is intended that the council application is submitted in the next available window in March 2023, with outcomes due to be known in June 2023. This report seeks approval to make the submission to the National Heritage Lottery Fund.

Community impact

7. The contributions of the project with regard to positive impact on the community are set out in the business cases submitted to the Stronger Towns Board. On a national level, the project contributes to the missions in HM Government's White Paper proposals on levelling up by:
 - a) Enhancing Hereford as a city in which to live, work and study as well as visit, supporting the growth of the tourism industry as well as regenerating Hereford as the primary economic driver of Herefordshire
 - b) Providing new public facilities for local people, improving education, and enabling access to culture and heritage
 - c) Regenerating the city centre and creating a world class visitor and cultural facility

8. The project contributes towards HM Government's 'Build Back Better: Our Plan for Growth' document published in March 2021. On page 13 of the report, the section dealing with infrastructure says that 'the Government will connect people to opportunity via the UK-wide Levelling Up Fund and UK Shared Prosperity Fund as well as the Towns Fund and High Street Fund to invest in local areas'. The report also references the need to reduce carbon emissions and this will be addressed by the use of EnerPhit principles in the design of the redeveloped museum.

9. The development project also reflect the aspirations of the Arts Council England Strategy 2020- 2030 which has three stated outcomes:
 - I. Creative people – everyone can develop and express creativity throughout their life
 - II. Cultural communities – villages, towns and cities thrive through a collaborative approach to culture
 - III. A creative and cultural country – England's cultural sector is innovative, collaborative and international

10. Locally, a priority of the council's County Plan 2020-2024 is 'Use council land to create economic opportunities and bring higher paid jobs to the county', and to 'Invest in education and the skills needed by employers'. The County Plan also states 'We will work with partners to maximise the Stronger Towns Fund grant (up to £25m) awarded to Hereford and to support investment programmes across all our market towns'. These projects support the ambitions as detailed within Herefordshire Council's Delivery Plan priorities, specifically community (CO0.1), economy (EC2.1, EC5.1) and environment (EN5.1, EN5.2)

Environmental Impact

11. The redevelopment of the Hereford Museum and Art Gallery (HMAG) building on Broad Street, Hereford will be done using Passivhaus techniques to reduce the carbon footprint of the building as much as possible. The HMAG will become a national exemplar in seeking to achieve the Enerphit standard in a grade 2 listed building.

12. Aspects of stakeholder and public consultation will be done online and using video calls to reduce the amount of paper being used and to limit carbon emissions by reducing the need for travel.

Equality duty

13. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
14. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.
 15. The redevelopment of the Museum and Art Gallery will support our commitment to work towards the objectives in our Equality Policy. We will achieve this by continuing to engage with user groups to ensure that the design improves access for all. In all our proposals, we will aim for the highest level of accessibility, to make things easier and safer for parents (eg. areas for breastfeeding), for disabled people (eg. Changing Places toilets), older people (eg. suitable benches), etc.

Resource implications

16. Through previous governance decisions the council has approved and spent up to £1.5m in undertaking the detailed design of the building up to RIBA stage 3, the required building surveys require to inform the project, and complete the heritage statement and related works.
17. In order to complete the final stages of design required to submit application for planning and listed building consent, to procure a Design and Build contractor, and to submit the National Heritage Lottery Fund application, up to a further £0.5m of works are required prior to a separate decision to enter into the construction / delivery phase. The RIBA stage 3+ works will be appointed in accordance with the North West Framework utilising the design team who have led the work to date (circa £500K). Up to a further £500K may be required once a Design and Build contractor is appointed to complete the design phase prior to construction, this is will form part of the next decision when awarding the construction contract under a design and build method.
18. The further £0.5m will be funded through the existing capital programme budget, including the approved £5m Stronger Towns funding. The overall total of £2.0m approval to spend is within the £18m cost plan as detailed below, within a number of elements including fees. With the remaining fees cost estimate to cover professional fees required during delivery of the construction works. These are indicative budgets that may change during detailed build-up of construction costs.
19. This project continues at risk of the £5m Lottery Fund Grant not being successful, in the event this was the case the project would either need to be redesigned within the reduced budget and ensure it delivers what is in the stronger towns grant agreement, seek other funding or cease. If the project ceased the costs to date would be a revenue cost to the council and therefore capital receipts could not be used to fund the revenue costs.

Capital Cost of Project		
Element	Element Total	RIBA 4
Elements included in Mace Ltd Cost Plan (RIBA Stage 3)	£	£
Facilitating Works	263,548	
Substructure	496,217	
Superstructure	1,608,533	
Internal Finishes	170,793	
Fittings, Furnishings & Equipment	4,181,500	
Services	3,112,605	
External Works	75,000	
Main Contractors Prelims(17%)	1,687,889	
Main Contractor Overheads & Profits (5%)	580,832	
Main Contractor Risk (5%)	609,874	
Project Mgmt of construction partner / Design Team fees	1,900,032	1,324,823
Inflation to 3Q23 (8%)	1,333,403	
Contingency (10%)	1,514,289	315,498
Digital Infrastructure	5,000	
Procurement costs 0.3%	24,824	24,824
PMO Cost	170,000	70,000
Planning Cost	5,000	5,000
Third Party Compensation(Estimate)	1,006	200
Income Generation Report	9,555	9,555
NHLF Required Activities	250,100	250,100
Total	£18,000,000	£2,000,000

Funding streams (indicate whether base budget / external / grant / capital borrowing)	Up to 2022/23	2023/24	2024/25	Future Years	Total
Stronger Towns (C) (includes Stronger Towns Development Funding)	400,000	3,792,065	807,935		5,000,000
Herefordshire Council Capital Receipts	1,000,000	4,438,185	2,561,815		8,000,000
National Lottery Heritage Fund	0	2,569,750	2,430,250		5,000,000
TOTAL	1,400,000	10,800,000	5,800,000		18,000,000

Legal implications

20. The Accountable Body has received the Hereford Stronger Town Allocation as a Section 31 grant made under section 31 of the Local Government Act 2003. Section 31 of the Local Government Act 2003. The allocation is subject to a number of conditions the key terms relate to the payment of the grant, reporting monitoring mechanisms and provisions as to circumstances in which the whole or part of the grant must be repaid.. These terms will be passed to the project under the terms of a Memorandum of Understanding (MoU).

21. The Design & Build contract should be procured in accordance with the council's contract procedure rules and the Public Contract Regulations 2015.

Risk management

22. The combination of funding streams required to enable these significant projects to progress suggests a need for an overarching agreement between the funding bodies and an accountable body to ensure delivery of these projects.

Risk / opportunity	Mitigation
<p>The current Broad Street building can only accommodate small visitor numbers on the upper floors due to fire regulations, limiting visitor numbers to just ten people at a time within the current museum; areas of the building are also inaccessible to the those with limited mobility.</p>	<p>The redevelopment resolves these issues by reconfiguring access routes and with the addition of a lift to all levels of the building. These changes provide an opportunity for increased visitor numbers and ensures access to all areas of the building.</p>
<p>Increasing economic opportunities.</p>	<p>Enhancing Hereford as a city in which to live, work and study as well as visit, supporting the growth of the tourism industry as well as regenerating Hereford as the primary economic driver of Herefordshire.</p>
<p>Improved facilities.</p>	<p>The project will provide new public facilities for local people, improving education, and enabling access to culture and heritage.</p>
<p>Regeneration opportunities within the city centre, and supporting the wider county.</p>	<p>The project will regenerate the city centre and creating a world class visitor and cultural facility. The new museum and art gallery also presents opportunities to exhibit countywide through the planned activity programme.</p>
<p>National Lottery Heritage Funding application is a competitive process and the Council may be unsuccessful.</p>	<p>The application is supported by consultants who are appointed by the National Lottery to provide assurance and guidance to ensure a successful bid. In addition, consultants have been appointed by the council who are specialists in their areas and experienced at compiling National Lottery Heritage Fund submissions. The submission is now also being overseen by the Museum Lead, who is also highly experienced in this area. However, if the application is unsuccessful, the interpretation and activity elements of the project would be unfunded, and the council would need to consider whether they could increase funding, seek alternative external funding sources, or whether to cease the project.</p>
<p>Change of administration during project development period resulting in a change in council priorities, delaying or questioning the project's value/futures.</p>	<p>Stronger Towns Funding terms and conditions and commitments made by the council to the Stronger Towns fund, as well as cross party support, will mitigate this.</p>

<p>Timescales for National Heritage Lottery funding and Stronger Towns fund do not match, and may cause delays.</p>	<p>The issue of timing has been discussed with National Heritage Lottery Fund. They are used to working on projects with complex funding packages and with projects that are therefore working to a range of dates. Whilst this leads to some complexity, it does mean the project will have secured this funding in advance of the development phase application to the National Heritage Lottery Fund, which is a positive position for the project Museum and Art Gallery project to move forward.</p>
<p>Project fails to secure planning permission (and listed building consent). If planning permission for the project is not obtained, the project will face delays to delivery and cost implications.</p>	<p>The project team continues to work with Historic England and have sought pre-planning advice. Letters of support have been received in the form of pre-planning feedback from the council's Planning Officer and pre-planning feedback from the council's Conservation Officer.</p>
<p>The Hereford Museum and Art Gallery attracts lower visitor numbers than forecast, resulting in lost income and reputational damage.</p>	<p>The quality of the exhibitions and activities are essential to this. A significant amount of funding has been allocated to ensure that the end product is of a high quality. Experienced staff are in place to work with the community and engage people in new heritage experiences, but additional staffing resource is required, as outlined within this decision paper. Marketing will also be critical to the ongoing success of the Museum and Art Gallery. A significant marketing budget has been allowed for in the business model.</p>
<p>Project is over budget due to incorrect assumptions at feasibility. The project would face value engineering to bring the cost within budget and some objectives may not be delivered. This could also delay the project.</p>	<p>The project team is working closely with a third party firm and the design teams to look at ways to achieve the project's main objectives, whilst delivering within budget. This decision paper requests additional funding in order to further mitigate this risk.</p>
<p>Rise in inflation may result in an increase in costs. Work Packages and project requirements become over budget; value engineering opportunities may not be viable as works remain the same, but costs change.</p>	<p>The project will need to consider: value engineering, or reducing the project scope. As above, this decision paper requests additional funding in order to further mitigate this risk.</p>
<p>Unable to procure contractor to undertake the physical work. This would result in delays to the project timetable and additional costs.</p>	<p>The project team is working closely with the council procurement team and with the third party's procurement team, who understand the current market. This expertise and advice will reduce this risk.</p>

Procurement timeframes are longer than expected. Delays to project delivery and additional cost.	The project team is working closely with the council procurement team and with the appointed third party's procurement team, who understand the current market. This expertise and advice will reduce this risk.
Additional staffing required to fulfil the business model developed by 'Take the Current'. Costs of additional staffing will need to be covered in order to ensure viability of the future business plan. An under resourced museum and art gallery, and library and learning resource centre will not be sustainable.	This decision paper requests support for additional staff and revenue budget in order to fully resource these services and ensure that service delivery is sustainable.
Unforeseen works are identified once works are underway during 'strip out', or when surveys are undertaken, resulting to increased costs and delays to the project.	A number of surveys have already been commissioned or completed which inform costs and designs across both projects. Further survey works will be carried out over the life of these projects to ascertain building condition before strip out occurs. Contingency has been built into the budget.
Project not delivered on time or not delivered within the allocated budget, resulting in reputational damage, potential funding claw back, and further delay to the project.	The project team will ensure continued communication with funding providers throughout the life of the project, and will raise any issues via the council's Project Management Office monitoring procedure. Project team will also work closely with the governance team and funding partners to map out timelines and key milestones.
Delays to start dates of tasks and milestones due to the council's governance and funder requirements, resulting in reputational damage, delays to the project, and financial implications.	Project team to work closely with the governance team and funding partners to map out timelines and key milestones. Time allows in the current timetable.

24. The above risks will be managed by the project team, in conjunction with the community wellbeing directorate. The key risk around the National Lottery Heritage Funding will be entered on the corporate risk register.

Consultees

25. Consultation with political groups has taken place. Members had queries regarding covenants in relation to the building; Legal services have provided advice on these matters. Members also wanted to know more about the visitor numbers and income generation that had been projected by an independently commissioned report; this information will be made available. Members also wanted the project to consider social enterprise opportunities and a public art workstream.

26. As detailed in the RIBA Stage 3 report, the Architects have undertaken consultation with the Hereford Museum and Support Group, the Woolhope Club, Historic England, Civic Society, to inform the architectural design process.
27. This consultation has also been supported by two in person events, one held at Maylord Orchards in May 2022 and a week-long consultation in August 2022 held at the Town Hall in Hereford.
28. The May 2022 event was attended from representatives from the above groups, as well as local councillors, representatives from the Stronger Towns Board, Herefordshire council senior management, and Hoople. A briefing was also held prior to the event with the local MP.
29. A week long consultation was held in person in August 2022. Boards were produced to showcase the project and the consultation was also supported by a video. The event was attended by members of the public, museum volunteers, representatives from the Women's Equality Group, the Woolhope Club, local councillors, Making it Real Board, Hereford Museum Service Support Group, Hereford Civic Society, Hereford City Council, Hereford Cathedral Perpetual Trust, Hereford Business Board, Stronger Towns Board, and Waterworks Museum. Feedback was supportive of the scheme and the development of the museum.
30. Separate sessions were also held for local businesses. Four businesses attended. Again feedback was positive about the scheme itself and the potential benefits to the area, but businesses were concerned about the local economy and maintenance issues (issues not specifically related to the project). A follow up 'walk around' was undertaken by the project team to speak to surrounding businesses about the project and to provide contact details for the project team.
31. Consultation is ongoing with updated videos and information, and formal consultation being launched on the council website in late 2022.
32. As part of the National Lottery Heritage Lottery submission and the development of the future museum operating model, consultation has been undertaken by the appointed Activity Plan consultant through a combination of one-to-one interviews, focus groups and audience engagement activities. The Activity Planner has consulted with the following groups and organisations:
 - Adults, families, young people,
 - Year 7 pupil premium students,
 - Hereford Museum and Gallery staff and volunteers,
 - Museum Service Support Group,
 - The Woolhope Club,
 - Local History Groups,
 - Equality Officer at Herefordshire Council,
 - Herefordshire Council staff,
 - Hereford Cathedral,
 - Local hotel owners,
 - Hereford Business Improvement District,

- Hereford Cultural Partnership,
- Herefordshire Museums Forum,
- Friends of Herefordshire Museums and Arts,
- Hereford Libraries,
- Archives and Archaeology,
- Attendees at architect's Consultation Week at Hereford Town Hall,
- Current visitors,
- Dementia Matters,
- Making it Real,
- Herefordshire Young Carers Club,
- National Autistic Society Hereford Branch,
- Accessible Herefordshire,
- Marches Family Network (charity working with children and young people with disabilities and their families),
- Friends of Leominster Children's Centre,
- Rural Media (Gypsy Roma Traveller Communities and young people),
- Creative Connections,
- Hereford Council (adults with learning difficulties),
- Leominster Area Polish Society,
- Primary and Secondary schools,
- Hereford Sixth Form College,
- Hereford College of Art,
- NMiTE,
- Rose Tinted Rags,
- Rural Media,Catcher Media.

The outcome of the above engagement will inform the final Activity Plan, due for completion in December 2022.

Appendices

None

Background papers

None identified

Report Reviewers Used for appraising this report:

Governance	John Coleman	Date 14/11/2022
Finance	Karen Morris	Date 09/11/2022
Legal	Alice McAlpine	Date 14/11/2022
Communications	Luenne featherstone	Date 07/11/2022
Equality Duty	Harriet Yellin	Date 15/11/2022
Procurement	Lee Robertson	Date 08/11/2022
Risk	Kevin Lloyd	Date 07/11/2022
Approved by	Ross Cook	Date 23/11/2022

Please include a glossary of terms, abbreviations and acronyms used in this report.