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<b>Report To:</b>	<b>Policy and Resources Committee</b>	<b>Date:</b>	<b>19 Nov 2013</b>
<b>Report By:</b>	<b>Corporate Director Education, Communities and Organisational Development</b>	<b>Report No:</b>	<b>PR/102/13/AH/AW</b>
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<b>Subject:</b>	<b>Watt Complex Refurbishment – Project Development</b>		

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to inform members of the progress that has been made to date on developing a Round 1 bid to the Heritage Lottery Fund (HLF) for partnership funding to refurbish, extend and improve the building and services available at the McLean Museum and Watt Library, and to ask members to authorise officers to submit a Round 1 bid to the HLF.

## **2.0 SUMMARY**

- 2.1 At its meeting of 24 February 2011, the Council agreed to make available up to £4m to substantially fund a project to fully refurbish, improve and extend the Watt Library and McLean Museum. This decision was made on the basis of a remit from the Regeneration Committee following its decision on 20 January 2011 to approve the project, the costs of which were estimated to be in the region of £5.5m.
- 2.2 It was further agreed at the Regeneration Committee of 20 January 2011 that it be remitted to the Corporate Director, Regeneration & Environment to assist in preparing an application to the HLF with a view to securing additional funding for the project.
- 2.3 In subsequent discussions with the HLF, it became clear that, in order to meet their criteria for funding and to meet their expected outcomes for a project of this nature, the project would require to be considerably re-scoped, as detailed within the body of this report.
- 2.4 The relevant HLF funding programme to which the Council would be applying is Heritage Grants. Further detail with regard to this programme and the stages involved in its process is outlined in para 4.11 of this report. It is, however, important to note that a 'first round' application requires to be submitted on or before 30 November.
- 2.5 Given the need to adjust the project to qualify for Heritage Lottery funding, the overall costs for the project (see Appendix 1) have risen significantly since the Regeneration Committee first considered the project on 20 January 2011 and therefore officers have developed 2 options for members to consider:

**A) Option A:** Pursue Round 1 bid for major transformational project costing £14m. £4m has already been committed by the Council; if the bid is successful HLF would commit £7m; £3m would be sourced from other funders, such as Historic Scotland, Creative Scotland, Social Investment Scotland, and Clore Duffield Foundation amongst others. Projects successful at Round 1 have two years to work up a Round 2 proposal and therefore time to secure additional funding. HLF advisers and Jura Consultants are confident that it will be possible to source a further £3m with the leverage of the £7m committed, but there is a risk that it will not be possible to source the full additional funding required.

**B) Option B:** Council's Property Assets and Facilities Management service repairs and refurbishes the building using Council's earmarked £4m with the scope of the works limited to the funding available. This option offers no regeneration opportunities or social capital development. HLF have already rejected this option as not meeting their criteria for funding. It would also be unlikely to attract other external funders for the same reasons. This option would however address the immediate building issues.

If Option A is chosen but, as the project develops, HLF and / or other funding is not available, Option B would be the contingency plan, with the understanding that abortive fees will apply regardless of the option chosen.

- 2.6 It should be noted that there is a significant element of rot currently in the building. The delays brought about by the external funding process could exacerbate this. In addition, there will be greater life cycle maintenance costs associated with Option A and these will be factored into the comprehensive asset condition survey due to be completed by the summer of 2014.
- 2.7 It should further be noted that the Trustees of the Watt Institution will require to be advised of the submission of an application for funding and may require to make substantive decisions at a future date with regard to the final details of the project.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that members :
1. Approve the submission of a Round 1 bid to HLF for the refurbishment of the Watt Complex;
  2. Agree that if a full funding package for Option A is not in place by December 2015, then officers report back to Committee with a view to progressing Option B;
  3. Note that there is estimated to be a net increase of £30,000 in the annual running costs of Option A, over and above efficiencies identified by the service;
  4. Refer the decisions of the Policy & Resources Committee to the next meeting of the Council for noting by the Trustees of the Watt Institution.

## 4.0 BACKGROUND

- 4.1 Over a number of years, the Grade A listed Watt Complex has experienced problems relating to the maintenance and repair of its buildings. Although major roof repairs have been carried out, there are continuing issues relating to the fabric of the building and non-compliance with Equalities legislation. Although the McLean Museum and Art Gallery was refurbished in 1990, the Watt Library has never had any refurbishment. Dry rot has been identified and the public areas, staff workrooms, and storage rooms are badly in need of an upgrade.
- 4.2 At its meeting of 20 January 2011, the Regeneration Committee was asked to choose a preferred development option for the Watt Complex. The options available at that time were:
- Option A – Repairs continue to be carried out on a repair and maintenance basis – with the understanding the conditions will deteriorate.
  - Option B – A repair and refurbishment scheme is carried out at an estimated cost of £3,882,000 (2010 figures), which would involve the refurbishment of key areas and the installation of platform lifts in the Museum and Art Gallery to address minimum Equality Act compliance; this option would not improve disabled access to the Watt Library.
  - Option C – A full refurbishment of the Watt Library and McLean Museum at an estimated cost of £5,471,000 (2010 figures), including a new extension providing a shared reception area with lift access to the upper floors of the museum, a café / activity area and disabled access and toilet provision for both the Library and Museum.

The Regeneration Committee agreed to Option C and also agreed that the Council be requested to consider making up to £4m available for the project as part of the budget setting process and that it be remitted to the Corporate Director to further investigate funding opportunities to assist in funding the project. In March 2011, consultation took place with the Heritage Lottery Fund who advised that although they were keen to invest in the Inverclyde area, the £5.5m scheme that the Council had produced did not meet their criteria for funding. The Head of Inclusive Education, Culture and Corporate Policy was subsequently tasked with leading the development of a grant application to the Heritage Lottery Fund which would meet their criteria and attract the necessary investment.

- 4.3 Any project seeking partnership funding from the HLF must make a lasting difference for heritage and people. In assessing bids, account is taken of the broad range of benefits the project will deliver and extra weight is given to the following outcomes:
- Heritage (heritage will be better managed; in better condition; better interpreted and identified/recorded).
  - Individuals (people will have learnt about heritage; developed skills; changed their attitudes; had an enjoyable experience; volunteered time).
  - Communities/society (environmental impacts will be reduced; more people and a wider range of people will have engaged with heritage; organisations will be more resilient; local economies will be boosted; local communities will be a better place to live, work or visit).
- 4.4 For Heritage Grants at the level to which the Council will be applying, HLF will expect to see a wide range of outcomes achieved. Projects which are not considered to offer a wide range of outcomes are highly unlikely to be funded.
- 4.5 Before pursuing plans to refurbish the current library and museum building, alternative accommodation at the Custom House on the Greenock waterfront was explored. This was rejected for two main reasons:
- Legal considerations e.g. Watt Institution Trust. The Watt Hall, McLean Museum and Greenock Art Gallery are held and administered by Inverclyde Council as Trustees of the Watt Institution. As such, Inverclyde Council is under an obligation to deal with the trust assets in strict compliance with the conditions of the Watt Institution Trust. The

Trust conditions state “The District Council shall hold the whole of the heritable property in trust [i] as a memorial to the late James Watt LL.D, and [ii] as a library, museum and hall for the benefit of the inhabitants of Greenock.” Therefore, the Trust conditions specifically require that Inverclyde Council, as trustee, maintains a library, museum and hall on site. There is no provision which would permit the transfer of the library, museum and hall to another location. Any proposal to do so would require detailed justification and an application to the Court of Session to seek to amend the trust conditions.

- Grade A listed status of current building: Moving the location of the library and museum would not negate the need to repair and maintain the current building, which has Grade A listed status, and would increase overall revenue costs.

4.6 Since the initial consultation with the HLF in March 2011, officers have met with HLF advisers several times and, at their advice, used consultants to help develop the bid. The successful tenderers, Jura Consultants, have a strong track record in successful HLF bids and have attracted over £130m of HLF funding for their clients. The project team and Jura Consultants carried out extensive public consultation. Around 1,000 people gave their views, and the resulting project has been strongly informed by the results of the consultation. The project team also worked with Property Assets & Facilities Management with input from a conservation architect to draw up a new set of architectural proposals which would allow delivery of much improved services at the library and museum and, crucially, would meet HLF standards for funding.

4.7 The project team has developed proposals for a project which both refurbishes the complex and adds significantly to the regeneration of the area through activities including learning, employment, volunteer and training opportunities, an improved tourism offer, and improved social capital. In order to meet HLF outcomes for heritage, individuals and communities, the project has grown significantly in scope since the original proposals of £5.5m, with an overall project cost (including capital work, internal fit-out, and activities) of £14m (see Appendix 1). Both Jura and HLF staff have advised that the project as proposed is sufficiently transformational to attract HLF investment at the ‘major batch’ level of over £5m, and the project as proposed would seek HLF funding of £7m.

4.8 The spaces developed include:

- An internal ‘street’ for orientation which will contain a kinetic sculpture in celebration of Inverclyde’s engineering heritage
- Café (to be run as a social enterprise)
- Museum
- Art Gallery
- Watt Hall large event space
- Interactive ‘by appointment only’ backroom collections space
- Library & reading room
- Archives search room
- Computer suite
- The Watt Learning Lab (to be used by young people and other groups for learning, art & science workshops etc)
- Collections storage

The improvements to the building fabric will be complemented by an internal fit-out which meets standards in respect of environmental and other controls, and will ensure the proper conservation of Inverclyde’s heritage assets in the long term.

4.9 In order to meet the HLF’s outcomes for heritage, individuals and communities, the bid includes a request for £751,700 of HLF funding to be spent as follows:

- £90,000 to fund the development of the bid from Round 1 to Round 2 which includes project management, business planning, and design work;
- £180,000 to fund 5 new posts, ranging from 3 years’ to 1 year’s duration, to support the work of the heritage centre. The posts to be created have been planned to be as

sustainable as possible e.g. a new Education & Learning Officer will create programmes which can be run by permanent Museum & Library staff after the project has ended;

- £481,700 to fund activities including (but not limited to): public engagement, outreach work; a volunteering programme, an education programme; an exhibitions programme; family activities; CPD for teachers; training and marketing materials; and digital development.

- 4.10 The relevant HLF funding programme to which the Council would be applying is Heritage Grants. This programme funds projects seeking over £100,000, with projects seeking over £5m having one submission date each year on 30 November, and decisions made the following April. The application process is in two rounds, with a development period after a successful first round application during which the HLF may offer mentor support and/or a development grant. The process is structured in two rounds to allow projects which are successful at Round 1 sufficient time to develop their proposals and seek further partnership funding. Applications over £5m are assessed by both the Scottish board and the UK board and consequently projects at this level are competing against similar projects across the whole of the United Kingdom. The process is fiercely competitive, and it can take more than one attempt to receive a pass at either Round 1 or Round 2.
- 4.11 As the overall costs of the project have risen significantly from the original Committee paper of January 2011, members are asked to consider the following options to decide which option the Council wishes to pursue.

## 5.0 OPTIONS

- 5.1 **Option A:** Pursue Round 1 bid for major transformational project costing £14m. £4m has already been committed by the Council; if the bid is successful HLF would commit £7m; £3m would be sourced from other funders, such as Historic Scotland, Creative Scotland, Social Investment Scotland, and Clore Duffield Foundation amongst others. Projects successful at Round 1 have two years to work up a Round 2 proposal and therefore time to secure additional funding. HLF advisers and Jura Consultants are confident that it will be possible to source a further £3m with the leverage of the £7m committed, but there is a risk that it will not be possible to source the full additional funding required.

**Option B:** Council's Property Assets and Facilities Management service repairs and refurbishes the building using the Council's earmarked £4m with the scope of the works limited to the funding available. This option offers no regeneration opportunities or social capital development. HLF have already rejected this option as not meeting their criteria for funding. It would also be unlikely to attract other external funders for the same reasons. This option would however address the immediate building issues.

If Option A is chosen but, as the project develops, HLF and / or other funding is not available, Option D would be the contingency plan, with the understanding that abortive fees will apply regardless of the option chosen. If the design was taken to Stage D, which is the stage required before HLF would approve full funding, fees would be £263,000. While some work could be utilised in a £4m maintenance project most of this would be abortive work.

- 5.2 It should be noted that there is a significant element of rot currently in the building. The delays brought about by the external funding process could exacerbate this. The cost has an allowance for inflation included, based on a start on site in the third quarter of 2016. If there were a delay in commencing the project additional inflation would be likely to occur. In addition the life cycle maintenance costs of Option A will be greater than Option B and these will need to be reflected in the comprehensive property assets condition survey due to be completed by the summer of 2014.
- 5.3 It should further be noted that the Trustees of the Watt Institution will require to be advised of the submission of an application for funding and may require to make substantive decisions at a future date with regard to the final details of the project.

## 6.0 IMPLICATIONS

### 6.1 Financial Implications – One off Costs

See Appendix 1 for detailed project costs.

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
Capital Programme	Watt Complex Refurbishment	From 2016	£14million		£10 million to be sourced externally. Scored against the £4 million Council allowance. Only applicable if £14m scheme cancelled.
Capital Programme	Fees	2015/16	£263,000		

Financial Implications – Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if applicable)	Other Comments
Education, Communities and ODHR	Museums	2019/20	£30,000		Net increase in costs may be reduced by service staffing restructures in the future.

- 6.2 Human Resources: There are no staffing implications in the Round 1 bid. The Round 2 application will seek funding for the creation of new posts during the delivery and operational phases, which will be the subject of further reports to the Committee in due course.
- 6.3 Legal: The Head of Legal and Democratic Services comments that as the Watt Institution is held and administered by the Council as Trustees any recommendation of this Committee will require to be referred to the Trustees of the Watt Institution for noting. In the event that Trust requires to make an application to the Court of Session to amend the Trust conditions, it is estimated that legal costs in respect thereof will be in the region of £50,000, dependant on whether objections to the application were made.
- 6.4 Equalities: The refurbishment of the current building will address the current lack of compliance with the Equality Act 2010. Full cognisance has been taken of equality and diversity processes and procedures during the development of this project.
- 6.5 Repopulation: The project offers an unique opportunity to invest significantly into one of Inverclyde's best regarded heritage assets, to create learning, tourism, employment, volunteer and training opportunities, and to boost the local economy. As such, it would be a key addition to the suite of measures Inverclyde Council is taking to regenerate, and repopulate, the local area.

Watt Library and Mclean Museum		October 2013
Stage 1 HLF Costs		
11/115		
<u>SUMMARY</u>		
<u>CAPITAL COSTS</u>		
Temporary and Decant Works		435,000
Demolitions		60,000
Reinstatement		1,923,710
Extensions to Rear		3,294,000
Sculpture		40,000
External fabric		611,280
External Works		288,750
<b>Measured works</b>	£	<b>6,652,740</b>
Contingencies	7.5%	498,956
Design Development	10%	665,274
<b>Measured Works Inc Contingencies</b>	£	<b>7,816,970</b>
Preliminaries	10%	781,697
<b>Measured works inc Cont and Prelims</b>	£	<b>8,598,667</b>
Fit out and display	£	1,959,750
<b>Construction Costs incl fit out</b>	£	<b>10,558,417</b>
Fees	10%	1,055,842
<b>Works Costs</b>	£	<b>11,614,258</b>
Below line costs (Reports etc)	£	347,000
<b>Gross Works Costs</b>	£	<b>11,961,258</b>
Inflation 3rd Quart 2013 to 3rd Quart Q 2016	10.80%	1,291,816
<u>GROSS CAPITAL COSTS</u>	£	<b>13,253,074</b>
<u>DEVELOPMENT &amp; ACTIVITY COSTS</u>		
Development & Activity Costs (from Client)	£	751,700
Inflation 3rd Quart 2013 to 3rd Quart Q 2016	10.80%	81,184
<u>GROSS DEVELOPMENT &amp; ACTIVITY COSTS</u>	£	<b>832,884</b>
<u>PROJECTED PROJECT COSTS</u>	£	<b>14,085,958</b>
<b>PROJECTED PROJECT COSTS (to nearest £10K)</b>		<b>14,090,000</b>
<u>FUNDING PROPOSALS</u>		
IC Budget	£	4,000,000
Proposed Application to Heritage Lottery Fund	£	7,000,000
<b>POSSIBLE FUNDING IDENTIFIED TO DATE</b>	£	<b>11,000,000</b>
<b>POSSIBLE NET FUNDING SHORTFALL</b>		<b>3,090,000</b>