

Amelia Scott Budget and Update

Cabinet on 14 April 2022

Summary

Lead Member: Jane March - Portfolio Holder for Environment, Culture and Leisure and Tom Dawlings – Portfolio Holder for Finance and Governance

Lead Director: Paul Taylor - Director of Change & Communities

Head of Service: Nicky Carter – Head of HR, Customer Service and Culture and David Candlin - Head of Economic Development & Property

Report Author: Katie Exon – Corporate Property Manager

Classification:

Exempt Appendix A

Exempt Appendix A is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended): Information relating to the financial or business affairs of any particular person including the authority holding that information.

Public Interest Test: To consider the information in Exempt Appendix A in public will prejudice the financial, business affairs and negotiating position of the Council which would not be in the public interest.

Wards Affected: All

Approval Timetable	Date
Management Board	23 March 2022
Portfolio Holder	21 March 2022
Cabinet	14 April 2022

Recommendations

Cabinet recommendations as supported by the Portfolio Holder:

1. That Cabinet note that the budget control total for the Amelia Scott will be increased to £21.27m and the actions proposed to address the increased budgetary requirement.
2. That authority is delegated to the S151 Officer in consultation with the Portfolio Holder for Finance and Governance to make available the gross figure of £468k on request from the Head of Economic Development and Property; and
3. That the S151 Officer be authorised to determine the source of the additional funding (which may include borrowing) referred to above.

Call-In and Urgency

In accordance with the provisions of Overview and Scrutiny Procedure Rule 14 in Part 4 of the Constitution, the Chairman of the Overview and Scrutiny hereby gives prior agreement that this decision is urgent and will not be subject to call-in as delay would seriously prejudice the Council's or the public's interest.

Signed:



Councillor Patrick Thomson – Chair of Overview and Scrutiny

1. Introduction and Background

- 1.1 Since the inception of The Amelia Scott project, Cabinet have received regular updates on the project. These reports have also been taken to the Cabinet Advisory Board and councillors more generally have been updated through a series of all-councillor briefings and through the establishment of a cross-party 'Amelia Scott Member Oversight Panel' (ASMOP).
- 1.2 Since starting the construction phase on site in January 2019, progress on the project has experienced a number of significant external pressures including Brexit, Covid-19 and the re-opening of the global economy post Covid and the inflationary shocks these have impacted on costs, labour and supply chains. These combined events have had a significant impact on many major capital projects including our own. Examples of cultural schemes nationally being impacted include Sydney Gardens, Bath which has seen a 30% increase in costs, schemes in Hull for Queens Gardens and Albert Avenue Baths have more than doubled in price, while Portsmouth City Council has made significant additional budget available to meet project prices that have increased by at least 30%.
- 1.3 In particular there has been a significant impact on the supply chain and on the cost of materials. During our construction period the BCIS Materials Cost Index has seen the overall cost of materials in the index rising approximately 19.7% during this period.

These cost increases are at a 40 year high. Two of the top three construction materials with the greatest price change in the twelve months to September 2021, included for example imported sawn or planed wood which has increased by +73.3%. Cement and steel have been similarly impacted.

- 1.4 In addition to this the project has also faced a range of significant issues related to the buildings and their historic nature as well as construction challenges that have resulted in the construction base build being significantly delayed. In March 2021 we reported a revised forecast based on the latest WDI programme, showing an additional 11-week extension which would mean that the build project would not be complete until August 2021 at the earliest. Given some of the issues encountered by WDI, even this forecast to complete the base build proved to be optimistic. However, practical completion was issued to WDI at the end of December 2021, with an agreed programme of works relating to snagging, defects list, 'day 2' works and building control items to be finalised.
- 1.5 The delay to the internal base build works was managed carefully around the Fit Out and Interpretation team. This was done to ensure that both elements of work, build and fit out, could be done in tandem, in order to preserve the programme. The project team continue to proactively manage these impacts, redrafting the programmes to ensure any potential in delays do not significantly impact the overall costs, though there is a limit to how this can be minimised as the base build has extended significantly beyond its contractual dates. Revised Fit Out schedules have been identified to ensure works remain overall on programme, but again this is not without additional costs.
- 1.6 The most significant focus has been to ensure that revisions to the programme have not added any significant further risk to the opening date. Through the careful management of the base build and fit out contractors, we remain on track for the Amelia Scott to be open to the general public on the 28 April 2022, and to align with Adult Education term time opening on 25 April 2022 as planned.

2. Funding and Fundraising

- 2.1 On 23 September 2020 Full Council approved a Gross Budget of £19.348 million to deliver the project with £10 million being funded by the council and the remainder being funded externally. The Full Council decisions also highlighted that the Council was underwriting up to £2.46m of fundraising and other opportunities in the budget, many of which were subject to external applications.
- 2.2 On 11 March 2021 Cabinet authorised an additional budget of up to £1.26m increasing the budget control total to £20.6m to address issues outlined in that report. By this point the underwritten funding in the project included the fundraising (£1.4m) and other opportunities (£392k) and remained a significant financial risk to the Council.
- 2.3 **Fundraising** - The total fundraising now anticipated to be secured is £580,638 with the recent Swire Foundation award confirmation. The longer term impact of Covid-19 pandemic continues to prove challenging for fundraising with a number of funders turning their attention to supporting existing organisations hit by the pandemic and the

economic recovery or, delaying accepting applications until later in the year. In October 2021 it was concluded that as a result of Covid-19 and the wider impacts across the economy that total fundraising expectations were to be reduced by £858k. While the recent award of £30k by the Swire Foundation with a couple of smaller donations has improve this position, there was still £819k underwritten by the Council that will not be raised through the fundraising workstream. If any additional fundraising is secured this will reduce the Council's total financial contribution, but should be seen as a benefit rather than being identified as an expectation.

- 2.4 As late as November 2021 the Council's overall exposure to underwrite the project budget was approximately £1.2m based on the reduced fundraising position and other opportunities that had not been secured. The Council has over the course of the project examined opportunities generally including the Cultural Renewal Fund. While some support for the Amelia Scott was secured in CRF1 a bid for CRF2 was unsuccessful.
- 2.5 **Getting Building Funding** - The Council has actively sought other (grant) opportunities including through the South East Local Enterprise Partnership (SELEP) with applications for LGF (Local Growth Funding) and latterly GBF (Getting Building Funding) as well as applications under the Levelling Up agenda. In September 2021 the Council through the direct support from Kent County Council and the Kent & Medway Economic Partnership (KMEP) pressed the case at the SELEP Accountability Board for the Getting Building Funding for the Amelia Scott.
- 2.6 SELEP approved, at the Council's expense, a full business case to be prepared for technical evaluation to be ready for the November SELEP Accountability Board where existing projects elsewhere in the SELEP area, which had been given an additional opportunity to meet their funding commitments would be reconsidered. If one of these projects failed to meet the conditions, then the Amelia Scott could be considered for funding if it addressed the business case and technical requirements.
- 2.7 SELEP Accountability Board on 19 November was able to approve a £1.4m GBF grant to the Amelia Scott. This approval enabled the Council to address the remaining £1.2m financial exposure in the budget.
- 2.8 **Project Budget Control Total** - The Council established a budget control total of £20.6m for the project in March 2021, which included the additional budget being authorised at the time. The successful GBF bid means that of the additional budget approved in March 2021, approximately £1.07m is being drawn down. The remaining £188k of that budget is not currently being utilised and sits outside of the £20.6m budget control total that has been established.

Project Funding Source	March 2021 (£000's)	Control Total (£000's)
TWBC (Capital and Revenue)	10,000	10,000
TWBC (Capital Reserve – March 2021)	1,262	1,072
KCC	1,700	1,700
Other Opportunities	392	1,400
Arts Council England	886	886
National Lottery Heritage Fund	4,970	4,970
Fundraising Target/ Counterculture/ TASCT	1,400	581
Totals	20,609	20,609

3. Cashflow

- 3.1 The Council continues to manage the cashflow for the project. The extensive grant funding from NLHF and ACE means that budget is drawn down in arrears with TWBC funding until the claim is completed. The cashflow being covered by the Council has varied between £829k and £345k per month, depending on processing of claims to funders. The claim for Getting Building Funding was submitted in March and the full £1.4m has now been paid significantly reducing the cashflow management within the project at the end of the financial year.
- 3.2 TWBC is drawing down the KCC money (approx. £979k) in tranches over the next couple of financial years, a contribution of £350k being recently invoiced. Together with the final NLHF funding payment of £497k which is not anticipated until March 2025, the Council will have an ongoing obligation to support the cashflow over the next few years.

4. Budget Pressures and Solution

- 4.1 The exempt report (attached as Exempt Appendix A) sets out the current position and the key issues causing the current budget pressures on the completion of the Amelia Scott.

5. Revised Budget Control Total

- 5.1 The exempt report (attached as Exempt Appendix A) sets out the current position and the key issues causing the current budget pressures on the completion of the Amelia Scott.
- 5.2 As a result of the additional budget pressures outlined the projected final account is £21.27m. Although this means that an increase in capital budget by £657k, with approximately £189k already authorised by Cabinet in March 2021, the actual additional budget required to be authorised is an additional £468k.
- 5.3 The table below sets out the revised control total and additional sums being sought for approval. Post project completion a committee report will be brought forward to detail the final account position and summarise issues during the construction programme.

Project Funding Source	Current Control Total (£000s)	Revised Control Total (£000s)
TWBC (Capital and Revenue)	10,000	10,000
TWBC (Capital Reserve – March 2021)	1,072	1,262
TWBC (Capital Reserve – March 2022)	0	468
KCC	1,700	1,700
Other Opportunities – GBF	1,400	1,400
Arts Council England	886	886
National Lottery Heritage Fund	4,970	4,970
Fundraising Target/ Counterculture/ TASCT	581	581
Totals	20,609	21,267

6. Fit Out Update

- 6.1 Fit out of the Amelia Scott has been completed by Factory Settings Limited with practical completion achieved on the 25 February. Once again the team faced Covid related challenges however work was completed within the budget envelope and to an

extremely high standard as shown in the images at Appendix A. This work together with the work of the basebuild team and the restoration and preservation of the heritage spaces will ensure that the new integrated office of the Amelia Scott will be delivered with high quality spaces that the public will enjoy for years to come and will ensure both the protection of the collection for future generations and that it will be more accessible than ever before.

7. Consultation and recommendations from the Cabinet Advisory Board

- 7.1 Given the time constraints related to completing final works to meet the opening dates in April 2022 and the significant financial and reputational costs of delaying opening of the Amelia Scott, following consultation with the Chairman of the Overview and Scrutiny Committee and the Mayor, this decision has been designated an Urgent Decision under Overview and Scrutiny Procedure Rule 14. However, the issue has been raised and discussed with both Group leaders and the Amelia Scott Member Oversight Panel.

8. Implementation

- 8.1 If agreed, this decision would be delegated to the S151 Officer in consultation with the Portfolio Holder for Finance and Governance.

9. Cross Cutting Issues

A. Legal (including the Human Rights Act)

The Local Government Act 1972, section 111(1) empowers a local authority to do anything (whether involving the expenditure, borrowing, or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

The Council also has a general power of competence pursuant to Section 1 of the Localism Act 2011 which enables it to do anything that individuals generally may do.

Acting on the recommendations specified in this Report is within the Council's statutory powers as set out above.

The proposal to delegate authority to the S151 Officer is in accordance with a decision that Cabinet can make, taking into account the contents of this report to protect the Council's financial and commercial interests.

Claudette Valmond,

Interim Head of Legal Partnership

B. Finance and Other Resources

On 11 March 2021 Cabinet approved a Gross Budget of £20.6 million to deliver the project with £11.2 million being funded by the council and the remainder being funded externally. The budget within the capital programme will be increased by the sum outlined in the report and detailed in the exempt appendix and met from earmarked reserves. The S151 Officer will determine the source of funding (which may include borrowing) in consultation with the Portfolio Holder for Finance and Governance. The budget management of the project will be reported to the Finance and Governance Cabinet Advisory Board and Cabinet on a quarterly basis.

Lee Colyer, Director of Finance, Policy and Development

C. Staffing

The staffing implications for the project have been set out in the business plan as agreed with the NLHF as part of the application for funding.

Report Author

D. Risk Management

The project maintains an up-to-date Risk Log which is reviewed by the Amelia Scott Steering Group and CLH Project Board. The type of construction contract, the nature of the listed buildings and delivery during a pandemic carries significant inherent risk of additional delay and additional significant costs (including delays from third parties) that the project has been managing.

Report Author

E. Environment and Sustainability

There are no specific environmental and sustainability issues arising from this report. The development of the Amelia Scott will enable a BREEAM Very Good building to be established.

Report Author

F. Community Safety

There are no specific community safety issues arising from this report.

Report Author

G. Equalities

Decision-makers are reminded of the requirement under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups or author to insert comment on if/how the proposals affect equalities issues. Consideration must be given to our legal obligations.

The project EqIA notes that “the development of the Hub will provide a positive impact on the local community, increasing access to public and third sector organisations and providing a nearly fully equality compliant building, to support the long term delivery of public and third sector organisation in Royal Tunbridge Wells and beyond”.

Report Author

H. Data Protection

The issues raised in this report have little or no relevance to the Data Protection Act 2018 or the GDPR 2016

Report Author

I. Health and Safety

The project has detailed risk registers and onsite health and safety is the responsibility of Wilmott Dixon Interiors and Factory Settings. There are no specific health and safety issues arising from this report.

Mike Catling, Corporate Health and Safety Advisor

J. Health and Wellbeing

No issues are identified.

Report author

Report Appendices

APPENDIX A – Fit Out Update

EXEMPT APPENDIX A – Budget Pressures and Solution