

**Cabinet**

**16 December 2014**

## **Report of the Cabinet Member for Finance and Performance**

### **York Guildhall - creating a Digital Media Arts Centre**

#### **Summary**

1. This report sets out progress on the project to establish a viable re-use of the Guildhall complex as a Digital Media Arts Centre (DMAC) in accordance with the cabinet decision of July 2013. Approval is sought to proceed with the procurement of a design team and an operating partner who will run the DMAC and lease space in the building.
2. The report also seeks the release of further, previously allocated funds from the Economic Infrastructure Fund (EIF) to fund the design of the building to the planning stage, and provide legal, financial and procurement resource through this next phase of the project.
3. The proposed DMAC and associated riverside development would see the creation of a world class venue and exhibition space for the creative business sector, with flexible workspace providing the potential to safeguard and create up to 200 jobs adding very significant GVA of over £8m to the city economy (based on Centre for Cities 2012 York GVA figures). Securing the future of one of the city's most iconic buildings will require supporting commercial development and the proposals set out in this report identify with the aspiration for a high end restaurant, a creative cafe/bar and additional office space opening onto new public space on the river side and linking through the Guildhall yard to City Screen. This commercial space will generate income within the development, to provide support for the initial capital outlay.

#### **Background**

4. The aspiration to create a Digital and Media Arts Centre DMAC for the City of York has long been an ambition of the city's creative industries, and the council, in supporting this growing business sector. The project responds directly to a market failure in the provision of flexible, city centre office space / work space for this sector. This shortage was specifically identified in the 2011 DTZ report commissioned by Science City York (SCY). The report

explored the spatial requirements of business in our key growth sectors, including creative and digital business, finding that there were particular gaps in the provision of high quality office premises, and especially in the provision of city centre office space offering grow-on space for SMEs.

5. More recently, in Dec 2013, SCY undertook a survey of businesses in the creative sector and 65% of respondents reported that they were seeking premises for expansion over the next 24 months, with a strong preference for a city centre location. The GVA Grimley report of July 2014 in support of the Local Plan allocations, confirms the lack of high quality office accommodation in the City centre to facilitate business growth. The GVA report also highlights the potential risk of existing and new businesses locating in other regional centres, specifically Leeds, where there is a greater supply of high quality office accommodation.

### **The Guildhall Complex**

6. In December 2011 Cabinet made the decision to vacate the Guildhall complex and transfer all council functions to West Offices, with the exception of Full Council meetings which still take place in the council chamber, generally once every two months. In March 2013 staff and members vacated the complex and moved to West offices where they are now based.
7. The Guildhall complex comprises the following zones set out at Annex 1 :
  - Zone 1 - Medieval Guildhall (inc Committee room 1)
  - Zone 2 – South Range (ancillary accommodation)
  - Zone 3 – Victorian Council Offices (inc Council chamber)
  - Zone 4 – north annex (former PO / staff offices)
  - Zone 5 – hutments (former storage space now demolished)
  - Zone 6 – Boat Yard
  - Zone 7 – Mansion House
8. In 2011/12 working in partnership with English Heritage, CYC commissioned architects Purcell, to undertake an assessment of heritage significance, a views analysis and an informed options appraisal for the Guildhall complex. The options appraisal identified the significant potential for re-use of the complex.
9. In the autumn of 2012, CYC ran a Royal Institute of British Architects (RIBA) Open Ideas Design Competition to further explore the opportunity for re-purposing the Guildhall and Riverside for the C21st, taking full advantage of

the world class heritage and unique riverside setting. The winning proposal highlighted the opportunity for the creation of a new public space directly on the river front, surrounded on three sides by leisure/office space; in combination with refurbishment of the original medieval Guildhall, and Victorian council offices and meeting rooms. The proposal also suggested opening up several points of access to the Guildhall and the riverside public realm making links along the water front in both directions, including under Lendal Bridge to Dame Judi Dench Walk / Museum Gardens and through the Guildhall yard with City Screen.

## **A Digital Media Arts Centre**

10. In July 2012, Cabinet agreed an allocation of £1.4m from the Economic Infrastructure Fund (EIF) to progress the creation of the DMAC. At that time the proposed site was the Bonding Warehouse, however, due diligence revealed that this was not economically feasible and the Guildhall complex was subsequently identified as the preferred site.
11. York has a thriving creative business sector. Recent statistics indicate that there are approx 400 businesses employing over 8000 people in this growing sector (DTZ 2011). The sector is dominated by micro or small businesses; many of which are young and innovative with a significant number boasting national and international clients, and yet the sector is largely invisible in the city.
12. The Science City York (SCY) survey (Dec 2013) identified a strong demand amongst these businesses for office space in the city to facilitate their growth and expansion. This sector contains a broad spectrum of companies, from high tech visual arts, television and gaming companies through to sole trader graphic designers and artists. Their businesses are dynamic and need to quickly respond to market conditions to expand and equally to contract. Their property needs are therefore not well served by the traditional property model dominated by long leases and capital investment.
13. York does not have the ex-industrial hinterlands that in other cities are increasingly the domain of developing media arts businesses. The prevailing leasehold / ownership pattern is currently acting as a barrier to sector growth and there is some evidence of York companies relocating to London or to other regional centres. York needs to address the lack of supply of suitable workspaces that enable companies to occupy prestigious, modern, flexible workspaces using a financial model that enables them to share costs, flex their requirements and commitments, and work in an environment where they can easily network and collaborate with other complementary businesses to increase their competitiveness.
14. This lack of physical space for business progression is shadowed by a hollowing out of the population of York. There is demographic evidence to

suggest that we have an increasingly young or older population as young adults and graduates leave the city to progress their career or seek more affordable start up homes. In order to stem this flow we need to create vibrant economic communities and opportunities to support growth.

15. Incubator units for business start ups already exist at both York University (The Catalyst and the Springboard at the Ron Cook Hub) and St Johns University (the Phoenix Centre). What is not widely available are more prestigious, stylish, yet affordable, grow on spaces that retain growing businesses in the city. Both universities and sector representatives have clearly articulated the need for a sectoral growth strategy to bridge this gap and see the Guildhall as an essential part of the solution.
16. By working with representatives from the sector and with both Universities, the following vision has been developed for the Guildhall DMAC :

*“York’s Guildhall and Riverside will provide a world class venue, supporting and nurturing the expansion of York’s vibrant creative businesses; combining events and exhibition space with state of the art collaboration and co-working facilities in the heart of a historic and creative city, securing a sustainable future for one of the city’s most iconic buildings.*

*To deliver this vision the significance of the Guildhall complex will be enhanced and better revealed, adopting innovative approaches to establish the Guildhall itself as the home base for a C21st guild of digital creatives collaborating across the creative, digital and arts sector spectrum.*

*By retaining the use of the council chamber and enhancing public access, the importance of direct links between the city’s governance, commerce, and culture are not just acknowledged, but remain intrinsically bound together, for the future benefit of the city in this world class historic location.”*

17. The designation of York as a City of Media Arts by UNESCO further reinforces the case for establishing a DMAC in the Guildhall, where there is the opportunity for the City’s future to take inspiration from this iconic complex, which is itself a product of the city’s creativity throughout history.
18. The Guildhall DMAC proposals would :
  - Create a highly visible innovation hub, at the heart of the city that generates business to business activity, creative collaborations and new intellectual property
  - Establish a world-class, destination venue delivering an events programme driven by the creative force of the sector, contributing to the cultural tourism offer of the City

- Provide flexible managed office accommodation with support facilities, for small to medium sized enterprises (SMEs) within the creative, digital and technology sectors, encouraging and supporting the growth and development of these sectors within York, also offering flexible drop down space and a business club to provide resources and collaboration space for smaller companies.
- Enable the city to provide a ladder of progression where growing businesses in the creative and media industries can access property solutions to facilitate the transition from start-up enterprise, to high growth business without jeopardising their long term growth by tying up capital or revenue in long term leases/property purchases. The financial model needs to allow companies to increase and decrease their space requirements / costs in response to fast evolving business needs and the commission and project driven nature of their work.
- Secure the future of the Guildhall complex through a combination of sensitive refurbishment and repair to the historic fabric coupled with some strategic new build interventions to ensure the future sustainability of the complex.
- Improve access to an attractive riverside public realm demonstrating the future potential of the wider area.

### **The Mansion House**

19. The Civic and Democratic Services Team are currently in the final stages of a second round Heritage Lottery Fund (HLF) application to secure a £1.2m grant from the HLF; to restore the 18<sup>th</sup> century Georgian kitchen, upgrade the modern kitchen to provide catering facilities, install a conservation heating system, rewire the building, update the fire alarm system, improve physical access and display the Gold and Silver collection. This work is being overseen by the Guildhall and Mansion House Project Board to ensure synergies are achieved, but it is not included in the operating proposals outlined in this report.
20. In addition to preserving the building and conserving the collections that are housed within it, this project will also facilitate increased use of the Mansion House as a visitor attraction, and as an educational resource with significantly increased levels of revenue generation.

### **Guildhall Project Progress**

21. In July 2013 Cabinet agreed to release £400k of the EIF funding allocation to undertake feasibility work and develop plans / a business case for the Guildhall DMAC. The cost breakdown for this is attached as Annex 2.

22. The project manager was appointed in December 2013 and a project working group was established to support the project. Robust project governance arrangements have been put in place through the establishment of the project board which includes; representatives from the creative sector and from York St John University and Science City York.

23. Significant progress has been made in the delivery of the project objectives:

- Extensive research of similar facilities across the UK, particularly the Roundfoundry in Leeds and the Toffee Factory in Newcastle. Other national exemplars include; The Mail box and Custard Factory in Birmingham, Kings Cross Hub, and Soho House business club in London. We have also explored some small scale flexible office provision in York which is thriving and experiencing high levels of demand. None of these deliver exactly the model for the Guildhall with its combination of flexible office, commercial and performance/exhibition space in a listed building, but they have all shaped the vision and the business case set out in this report.
- A detailed feasibility study has been completed highlighting the potential of the complex
- An outline business case has been developed using the feasibility proposals as a basis
- Planning approval was secured for the demolition of the Hutments which was completed in July 2014
- The Archaeological Evaluation of the hutments site was undertaken through August and into September, with significant opportunity for public involvement and the findings will be promoted at further public events
- An application was made to the Leeds City Region Local Enterprise Partnership (LEP) for Local Growth Fund of £2.5m – and the project is now included in the LEP's Strategic Economic Plan (SEP), although a funding allocation was not secured in round 1 because of concerns about deliverability of spend in 2015/6. The project is being put forward into round 2 for the 2016/17 year when deliverability issues should be more certain.
- An application was made to the Heritage Lottery Fund HLF for Heritage Enterprise funding of £3.7m in April, based on the development of Option 4 as set out later in the report, unfortunately this bid was unsuccessful because we did not have a commercial delivery partner on board and the balance of new build to refurbishment was judged too high.

- Pre-application discussions with the Planning Service and involving English Heritage as a statutory consultee have begun
- Informal consultation with heritage bodies in the city has garnered general support for the project. Peter Brown, Director of York Civic Trust has offered his support to the project, saying;

*‘The proposal for the Guildhall identifies deserving new uses for this whole complex, whilst safeguarding the long-term future of the important historic buildings. The scheme as outlined delivers an excellent combination of respect for the City’s heritage and a new contribution to the commercial vibrancy of the city centre’*

## Options

24. The following options have now been developed to present to Cabinet. There are of course variants upon each scheme which can be considered during the next phase of detailed design and development, but they give a broad overview of the scale of development possible. A summary financial analysis of all the options is included as Annex 3.
25. Because of the historic importance of the Guildhall and the nature of the site (Grade I & II listed), the council has already identified a desire to retain ownership and control of the complex for the long term. The options presented respect this desire and that a proportion of the current civic and community uses of the Guildhall will continue.
26. There always remains the option for a more conventional commercial usage for the site, a sale or long lease, which could result in either a capital receipt or a revenue income, but these have not been explored in detail as they would not deliver a DMAC or the ongoing ownership of the Guildhall which have been assumed as core requirements of the project.

### 27. **Option 1 – Do nothing – renew Guildhall only - capital cost £350k**

This option would see the existing arrangements for managing the Guildhall continue where the main hall and former committee rooms are available for hire through the Mansion House and Guildhall team. Repairs and maintenance would continue on a reactive only basis, with costs incurred as they arise; with the exception of the Guildhall roof which would be renewed as per the current capital programme.

**Analysis** – this option will not achieve the objectives agreed by cabinet in July 13 in terms of securing an economically viable future for the complex. The complex will necessarily continue to deteriorate and the long term future of the buildings would be placed at risk.

## 28. **Option 2 – Major repairs and maintenance only – capital cost £2.47m**

Undertake urgent major repairs and maintenance to the whole complex, including reroofing the Guildhall, further structural, roof and fabric repairs, replacing the heating system and some electrical circuits as required, fire and access improvements and comprehensive redecoration. The space would remain in its current layout at approx 2000 sq m net usable space.

**Analysis** – this option would see the minimum necessary investment to secure the complex for the short term (5 years). The fabric would be made sound but the use would not necessarily be improved beyond existing patterns where a number of existing constraints in terms of access and facilities would remain. The longer term future would remain uncertain.

## 29. **Option 3 – Comprehensive refurbishment and conservation with new build elements - capital cost £9.23m**

The works involve undertaking all major repairs as in option 2, but also a comprehensive replacement and upgrading of services; including under-floor heating to Guildhall and elements of reconfiguration to improve access and space utilisation. In addition it would involve; a new build to the south range, an additional storey to the north annex and a new build riverside pavilion to provide overall net floor space of around 2600 sq m. The energy strategy for the complex would be underpinned by renewable energy using a river sourced heat pump and photovoltaic panels. It would create a refurbished Mansion House yard and a new external riverside space on the site of the former hutments, which would provide attractive breakout space for the DMAC and external cafe/bar space. The DMAC business model will offer flexible desk space and business club membership, giving businesses the flexibility and scalability of solution missing from the traditional office market.

**Analysis**– this option offers the potential to deliver a comprehensive refurbishment of the existing buildings combined with strategic interventions to make the complex more useable and legible. Limited new build elements will provide some additional and commercially valuable floor space to facilitate the DMAC and open up the garden space to the north with a cafe and additional office space. Existing fabric is retained and refurbished to highest achievable standards, with the addition of contemporary new build elements adopting the constructive conservation approach which has been so successful at West Offices. The business model delivers a flexible ‘plug and play’ product on easy terms to suit the target sector.



### 30. **Option 4 –New build and conservation – capital cost £12.49m**

This option proposes significant new build elements on both the south range and the demolition of the north annex and replacement with a new build office wing, in combination with refurbishment of the Guildhall and council offices. This would create a larger net floor space of approx. 2800 sq m and would also incorporate the green energy solutions and improved external spaces as per Option 3.

**Analysis** – this option would deliver more new build floor space, but at significant additional capital cost. It is unlikely that this option could be funded through a return on investment model.

### **Future Phase**

31. In addition to Options 3 and 4 there is the potential for a second stage of development to deliver an additional block of new build and riverside public realm on land that is currently in the ownership of Yorkboat and CYC. This is an attractive prospect as it opens up the river frontage and creates access through under Lendal Bridge to Dame Judy Dench Walk. However, it is not immediately deliverable as there would need to be a negotiated deal involving the relocation of boat maintenance facilities and some moorings. This option and all related enabling works are being developed, but are not at a stage where they can be incorporated into a defined scheme at this point in time.

### **Recommended Option**

32. The option to do nothing (Option 1) whilst affordable would result in the further deterioration of a historically significant building and is therefore not judged to be viable. The minimum necessary repairs and maintenance approach (Option 2) undertaking £2.47m of urgently necessary repairs and service renewals would not deliver a realistic DMAC and would have limited length of life with little benefit from its occupation.

33. Option 4 would deliver a world leading iconic space but with a capital cost of £12.49m. This option is not likely to be affordable without significant financial support from the public purse. It is considered that the most appropriate business model for the Guildhall, based on collaborative works space / co-working environments and virtual office services allows the benefits to be delivered from a smaller building footprint and where additional space can potentially be brought to the market in adjacent buildings in the city centre.

34. Having considered the options it is therefore proposed that we commence with further development of Option 3 to undertake a significant

refurbishment of the complex, accompanied by essential new build elements to create a DMAC and supporting commercial development. The conservation standard refurbishment of the historically significant parts of the buildings is facilitated through the commercial model, including the addition to the south range to create a premium restaurant. Floor plans of this option are attached as Annex 4.

## **Business Case**

35. The business case identifies that the Guildhall complex does offer the potential for a viable development if undertaken in association with other commercial uses, taking advantage of the riverside location. Making prudent assumptions about future yields from leases it is expected that the DMAC and commercial leases will cover the future management and repair / maintenance costs of the complex in full for the future. These prudent assumptions do not, however, cover the entire capital refurbishment and construction costs.
36. External commercial validation of the proposed model has been sought which indicates that :-

*“The location overlooking the river, the historic spaces and (for work space) idiosyncratic spaces (from the lower ground areas) to the Guildhall and Council Chamber, have the potential to create a world class location for creative sole traders, freelancers and micro businesses. It is exactly this type of facility that is required to significantly increase the credibility of York as a location for talented young enterprises and a place which will encourage graduates to stay, creating opportunities for self-employment as well as employment.”*

## **Funding**

37. The proposed Option 3 has a capital cost of £9.23m. This would be funded using the remaining EIF funding of £1m and the £350k of capital programme already committed to the Guildhall roof repairs. This would be supplemented by borrowing, repaid with the revenue income streams from both the DMAC and the commercial leisure leases. These would generate the equivalent of £4.65m capital. Potential grant income is being pursued from the Leeds City Region Regional Growth Fund for both renewable energy (£450k) and for economic growth (£1m). This would leave a gap of £1.77m as summarised in the table below.

38.

<b>Option 3 - comprehensive refurb</b>	
	<b>costs</b>
<b>Capital Build and refurbishment</b>	<b>£6,273</b>
Design fees - to stage D	£376
Design fees - to completion	£565
legal / financial and procurement advice	£450
contingency and risk	£1,019
inflation	£549
<b>Total capital costs</b>	<b>£9,232</b>
current approved capital programme	350
remaining EIF funds	1000
borrowing funded by projected income	4657
potential grants	1450
<b>Balance to fund</b>	<b>£1,775</b>

39. The commercial income from the restaurant and a cafe/bar is essential to the business case, and without it the comprehensive refurbishment of the Guildhall and the establishment of a DMAC will not be deliverable.
40. The two grant funding applications made to date have not been successful, and this has resulted in a review of the original aspirations for the scheme to understand whether they can be value engineered to deliver broadly the same outcomes for a reduced capital budget. This has been achieved through Option 3.
41. There still remains a financial gap to close. The assumptions that we have made in developing this business case are prudent, and small variations in operating costs, build costs and income from commercial leases will reduce the overall development and operating costs. It is expected that through refinement of the operating environment and the value engineering of the design that this gap could be narrowed even further. However it would not be prudent at this stage to assert that the scheme can be entirely self-funding until this work has progressed into the next phase.
42. In order to proceed with the delivery of a DMAC scheme to rejuvenate the Guildhall the council may need to increase the level of capital funding to cover the underlying repairs and maintenance deficit, whilst investment in redevelopment and new build elements of the scheme will secure a financial return and repayment of borrowing. We will continue to pursue grant funding from LCR. Capital funding will be sought once a detailed scheme is designed in late 2015.

## **Next Phase – Procurement and Design**

43. The objective of the procurement approach is to continue the momentum of the project to meet the known demand of the sector and to exploit known funding opportunities by presenting a viable and deliverable project in a reliable timescale. It will ensure delivery as early as possible whilst maximising the creative input to the design work from a future operator and the potential occupants.
44. The procurement process will involve :
- The early appointment of a multi disciplinary consultant team to undertake the necessary concept design work, subsequently undertaking comprehensive consultation and developing the detailed proposals necessary to make planning and listed building consent applications.
  - The procurement of an operating partner who will work with the Council to assist in finalising the design and operational business plan, and then subsequently operate the DMAC, taking responsibility for events management, Facilities Management (FM), and letting of office space in the Guildhall complex. The operating partner will have the skills, expertise and proven track record to establish and operate a successful and entrepreneurial DMAC delivering significant economic benefit to the city whilst securing the future of the Guildhall complex in council ownership.
  - This will be followed by a subsequent procurement for the construction and refurbishment work. The capital cost of this phase is not yet known in detail. A further cabinet decision will be sought when a detailed scheme is designed and costs are understood, likely to be in autumn 2015.

## **Financing the next stage**

45. In order to proceed with the procurement phase of the project and the initial stages of more detailed design work we will incur a further £500k of costs to undertake the design phase of the project through to the planning and listed building consent applications stage, and cover the ongoing finance, procurement and legal advice necessary on such a complex scheme. This is set out in detail in Annex 2. It is proposed that Cabinet agree a further drawdown of £500k from the EIF to meet these costs. These costs represent the early delivery of the scheme to RIBA design stage D and are included in the overall project costs of £9.232m as set out in the table at para 38.

## Timeline for project

46. The high level timetable for the project is set out below. Given the complexity of the scheme and the listed building status this is likely to change as the project progresses.

Procurement of Design team by	May 2015
Procurement of Operating Partner	autumn 2015
Final scheme designs by	Dec 2015
Statutory consents	early 2016
Procurement of construction partner	spring 2016
Commencement of construction	autumn 2016
Completion of construction	early 2018

47. The project timetable has been assessed to allow, where possible, for elements project delivery to be co-ordinated with the delivery of the Mansion House project. This would require some works to be let with the Mansion House construction contract.

## Interim use and urgent works

48. During the last year the Guildhall has not lain empty. A varied programme of events in the Guildhall itself generated income of £40,000 (2013/14) and the complex has hosted a range of Theatre productions. Full Council Meetings are held in the Council Chamber every 2 months and Adult Education are currently delivering their autumn programme from the Guildhall Annex whilst the Central library undergoes development work.

49. Officers are now exploring a more structured approach to use of the building over the period before the re-development contract is let. This must be self funding, and will ensure that the building does not suffer further deterioration from lack of occupation. The intention is that the space is made available (through appropriate short term property lease arrangements) as a combination of serviced office and curated digital media arts space, working with partners and the local creative network. Increased usage and profile will also serve to build some creative momentum and provide a focus for creative and digital innovation following the City's designation by UNESCO as a City of Media Arts.

50. To ensure that any interim use is not compromised by outstanding repairs and maintenance issues it is proposed to undertake a strategic review of the 2013 Guildhall Building Condition Inspection Report and to implement specific works to facilitate the urgently necessary safe access / working arrangements to allow for; interim roof repairs, regular gutter cleaning and routine inspection / maintenance of the complex, but only as necessary to maintain the safety, security and integrity of the complex over this period.

There will be no abortive works and funds, not to exceed £90,000, would be drawn from the previously approved capital programme for repairs to the Guildhall roof.

## **Consultation**

51. The RIBA Open Ideas Design Competition allowed the shortlisted ideas for the Future of the Guildhall and Riverside to be exhibited in public. The feedback provided very significant support for the idea of opening up access to the riverside and creating a new public space.
52. In progressing the feasibility work and considering potential future uses the team have engaged with a number of organisations who may have an interest in the future of the site, including; York Boat who lease the boatyard and who own the boatyard buildings. Contact has also been made with adjoining land owners and a range of other commercial organisations. Further engagement will be undertaken with these organisations during the next phase to develop a comprehensive design.
53. There has been significant and ongoing consultation with creative business in the digital media arts sector who are represented on the project board and have helped shape the vision and the feasibility study. There is real excitement, energy and commitment for the project from those companies who may be tenants or users in the future.
54. The project team have also presented initial thinking to the ex Lord Mayors group. York Civic Trust and York Conservation Trust are supportive of the proposed approach / concept. During the archaeology there has been public engagement in both the logging of the hutments and the actual dig.
55. In progressing the project through the further stages, wider engagement with both stakeholder and the public will be an essential part of delivering the project. The Guildhall necessarily offers the perfect venue to facilitate this.

## **Corporate Priorities**

56. The proposal for a Digital Media Arts Centre will contribute to the following Council Plan objectives:

**Creating Jobs and growing the Economy** – the establishment of a DMAC will create expansion capability and increased GVA for local businesses in one of York's priority growth industries. Additional space for other economically beneficial uses will also be created and the increased use of the Guildhall itself will provide a boost to the economy.

**Protecting the environment** – the refurbishment and re-use of the Guildhall will secure the future of one of the most historically significant buildings in the city and increase access to a heritage asset. Improved use of and access to the riverfront will significantly improve the amenity of this important part of city centre – the proposed river water source heat pump will deliver a significant carbon reduction for the complex

## Implications

57.

**Finance** – The Economic Infrastructure Fund totals £28.5m and covers the period from 2012/13 through to 2016/17. It is funded from a combination of prudential borrowing and government grant. In July 2012 Cabinet approved in principle £1.4m from the EIF for the establishment of a Digital Media Arts Centre. In addition a sum of £350k has been committed as part of the capital programme for the repair of the main Guildhall roof. A further call off of £500k is requested from the committed EIF funding. The future high level financing of the scheme is set out in the body of the report and is subject to a further detailed report when a detailed scheme is designed and costed and an operating partner has been engaged. The recommendation to draw down up to £90k for urgent works to the building will utilise some of the £350k already committed to the Guildhall repairs in the capital programme. All of this £350k is assumed to contribute to the overall project budget as set out in paras 37-38.

**Legal** - The procurement process to select a commercial partner to operate the complex will need to establish clear performance requirements and a compatible property agreement to ensure that the Digital Media Arts Centre benefits from private sector expertise. The process must necessarily satisfy state aid requirements.

**Property** – It is expected that the core of the historic Guildhall will remain in Council ownership but that a commercial partner will be awarded either a license to operate and/or a lease to run the DMAC. Long leases (25 years) may be necessary for the commercial leisure components of the site. These details will be instrumental in delivering a commercially viable project and will form an important component of the detailed business case.

**Human Resources** – The Guildhall is currently managed by the Civic and Mansion House team. It will be important to clarify the role of these staff in relation to the Guildhall, particularly as and when the Mansion House redevelopment moves forward.

**Community Impact Assessment** - a draft impact assessment concludes that there would be no adverse impacts associated with this project. The project board will necessarily ensure that the assessment is reviewed at every project work stage.

## **Risk Management**

58. Failure to progress plans for the repair and maintenance of the Guildhall leave the structure and fabric of a historic and iconic city centre building at risk. The project itself faces risks around achievement of grant funding, financial viability, planning permission / listed building consent being agreed for changes to a historic building, capacity of the sector to support the business model. A full risk register is maintained by the project and will be regularly reviewed as the project progresses.

## **Recommendations**

59. Cabinet are asked to :-
- I. Note the progress made with the project
  - II. Agree to progress on the basis of Option 3 as outlined above
  - III. Agree the procurement of a design team for the Digital Media Arts Centre
  - IV. Agree to the procurement of an operating partner to take forward and develop plans for a DMAC in the Guildhall complex
  - V. Agree to release a further £500k from the EIF to fund the detail design of the scheme and gain statutory approvals, and fund specialist finance, procurement and legal support where needed
  - VI. Agree to undertake a public consultation to feed into the future design and business case development.
  - VII. Agree the proposals as set out at paras 48-50 for interim use / urgent works with a draw down of up to £90k from the Capital Scheme already committed for the Guildhall roof.

Reason: To ensure the refurbishment and reuse of the Guildhall whilst securing the future use of a historically significant building, supporting the growing creative digital media sector and increasing GVA for local businesses and boosting the economy.



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### Cabinet Member and Chief Officer Responsible for the report:

Cabinet Member for Finance and  
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Ian Floyd

Director of Customer and Business  
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Report Approved  Date: *4 December  
2014*

### Specialist Implications Officers

Ross Brown – Principal Accountant

Emma Kerr – Commercial Lawyer, Rachel Dolby – Deputy Head of Legal

Andy Wilcock - Procurement

Ward Affected: - Guildhall



For further information please contact the author of the report

### Background Papers: Online only

Purcell Miller Tritton reports 2012  
RIBA competition winning entry 2012  
DTZ property report 2011  
SCY property demand report 2013  
Guildhall DMAC Feasibility report 2014

### Annexes:

Annex 1 – Site Plan showing land ownership / zones  
Annex 2 – Cost breakdown of development phase  
Annex 3 – Options appraisal financial summary  
Annex 4 – Floor plans of proposed scheme

## Glossary of Abbreviations:

DMAC - Digital Media Arts Centre

EIF – Economic Infrastructure Fund

FM – Facilities Management

GVA – Gross Value Added

HLF - Heritage Lottery Fund

LCR – Leeds City Region

LEP – Local Enterprise Partnership

RIBA – Royal Institute of British Architects

SEP - Strategic Economic Plan

SMEs - small to medium sized enterprises

SYC – Science City York