

Report of the Director of Adults, Children and Education, and the Director of Communities and Neighbourhoods

The Barbican Auditorium

Summary

1. This report asks Council to approve an increase in the capital programme of up to £1.113m for the Barbican project, as recommended in Minute 75 of the Executive meeting held on 21 September 2010.

Background

2. At its meeting on 21 September 2010 the Executive:
 - Acknowledged the selection of SMG Europe (Holdings) Limited (or an appropriate nominated subsidiary) as the preferred bidder.
 - Delegated authority to the Director of Adults, Children and Education in consultation with Head of Legal Services to complete a conditional development agreement and lease (“Award of Contract”).
 - Agreed that the financial implications relating to the Council’s capital programme be reported to Council for approval.
3. In line with procurement rules a standstill period has been observed following identification of the preferred bidder. This period started following the Executive’s decision on 21 September and expires on 5 October 2010. From 5 October the Council will be in a position to move forward to conclude the necessary legal agreements with SMG by the end of October. This is subject to the Council’s approval of the implications for the Council’s capital programme.
4. The key benefits of SMG’s tender, as reported to the Executive, are:
 - Financial savings from early reopening.
 - Income potential.
 - A comprehensive programme of refurbishment.
 - A credible and innovative entertainment programme integrating with community, conference and council use.
 - An innovative programme of audience development backed up by use of a distinctive learning and participation programme.
 - 4 concessionary days for the Council to host city events and a proposal for reduced tariffs for community groups.

- Economic benefits from increased visitor numbers to the city.
- Early and continuing employment opportunities.

Implications for the Council's capital programme

5. The proposal for the Barbican is to invest circa £1.687m over the first five years to provide the facilities identified in the procurement exercise. The capital expenditure is to be funded from £0.687m of SMG's external resources and between £1m and £1.113m from prudential borrowing. SMG will pay the Council an annual rental over a 30 year period as tenant and the rent agreed with SMG will be set in accordance with the relevant arm's length commercial terms. The rent will be used to cover the costs of the Council's prudential borrowing. In addition, SMG will spend £438k in business set-up costs.
6. The exact amount to be funded from prudential borrowing, between a minimum of £1m and a maximum of £1.113m, will be determined in the light of a further, more detailed, condition survey which has recently been undertaken and which is currently being analysed.

Analysis

7. The bid from SMG, as preferred bidder is consistent with the Council's intentions for the Barbican and has the potential to deliver the Council's objectives. The work undertaken for the Council by external advisors, prior to the formal procurement exercise, (previously reported to the Executive) suggests that this is a good outcome for the Council and that any new approach to the market would not produce a better outcome. Furthermore, any alternative strategy that did not rely on experienced market operators would require significant time to develop and would delay the opening of the Barbican even further.
8. SMG's proposals deliver the reopening of the Barbican and would provide a significant boost to the city's economy as it comes out of recession. Council is therefore advised to approve the capital borrowing.

Corporate Priorities

9. The Council's Corporate Strategy describes the desire to "inspire residents and visitors to free their creative talents and make York the most active city in the country. We will achieve this by providing high quality sporting and cultural activities for all". Within the new strategy we commit to developing an "achievable plan for the Barbican Auditorium" to contribute to this priority.

Implications

Finance

10. The Director of Customer & Business Support Service's overview of the financial implications of the preferred bidder's proposals were attached to the Executive report of 21 September as a confidential Annex.
11. Other implications are as set out in the report.

Risk Management

12. In compliance with the Council's risk management strategy the main risks that have been identified in this report are those which could lead to the inability to meet business objectives leading to financial loss, and damage to the Council's image and reputation and failure to meet stakeholders' expectations. Measured in terms of impact and likelihood, the risk score all risks has been assessed at less than 16. This means that at this point the risks need only be monitored as they do not provide a real threat to the achievement of the objectives of this report.

Recommendations

13. Council is asked to approve an increase in the capital programme of up to £1.113m for the Barbican project and to approve the use of prudential borrowing to fund this. The revenue costs incurred by the Council as a result of the prudential borrowing will be met by SMG's rental payments.

Reason: To enable the Barbican Auditorium to be reopened for public use.

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Wards Affected: All

For further information please contact the authors of the report

Background Papers:

Barbican Auditorium - Reports to the Executive 21 September, 2010.