
To: Leadership Board

On: 8 June 2016

Report by: Director of Development and Housing

Heading: The Regeneration of Paisley Town Centre - Paisley Museum Project

1 Summary

- 1.1. The redevelopment of Paisley Museum and Art Galleries is a key project of the Paisley Heritage Asset Strategy, approved by the Council in January 2014. This paper provides an update on the outcome of the funding bid made to the Heritage Lottery Fund (HLF) for a major grant to support the delivery of the project with match funding from the Council's established regeneration budgets.
- 1.2. The application has now been determined by the UK Board of HLF and they decided not to award the grant. HLF staff have fed back in detail the reasons for the Boards decision and these are set out in section 4 below. The feedback received has confirmed that the project, the regeneration ambitions of the project, and the application were of an exemplary nature. However, from a national fund of only £50m there were 18 applications all of which were seeking grants of more than £5m. Only 5 projects were awarded funding. The national committee were mainly concerned about the level of unsecured funding for the Paisley Museum project and this together with the scale of the grant sought were reported as the principal reasons for not approving the project.
- 1.3. HLF staff have outlined to the Council what it might now consider as a way forward for the project should the Council wish to apply again for funding, the detail of this is discussed in the report below. The key advice received is around the development of a funding strategy which includes a greater degree of secured funding commitments towards the overall project budget. They have also recommended that it would be advisable to keep costs and the business case under review and to confirm the business case assumptions via a third party reviewer.
- 1.4. HLF have advised that they would welcome the resubmission of an application in December 2016 but can however offer no guarantee of success. Given the strategic

importance of the Paisley Museum project to the realisation of the Council's overall regeneration ambitions this report seeks the Board's authority to continue to develop the project. It should be noted that the cost of taking forward this further work would not be recoverable by any subsequent grant award from the HLF, however, this is necessary to ensure that development timescales continue to enable the delivery of the project and the regeneration outcomes within a reasonable timescale.

2 Recommendations

2.1 It is recommended that the Board:

- i. Notes the decision of the Heritage Lottery Fund (HLF) not to award a £15 million grant to develop and deliver this project.
 - ii. Agrees that the Council will progress the development of a new application to HLF in December 2016 and agrees to continue development and design work on the project both to maintain progress towards delivery and to demonstrate progress to HLF.
 - iii. Authorises the Director of Development and Housing Services and Director of Finance and Resources to assemble the project design team and funding team referred to in section 5 of the report and agrees that required costs also indicated in section 5 will be met from the established project budget.
 - iv. To note that the revised application for grant funding will be brought to the Leadership Board of 30 November 2016 for approval, prior to submission.
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3 Background

- 3.1 The Paisley Heritage Asset Strategy, approved by the Council in January 2014, set out an ambitious vision for the social and economic regeneration of Paisley. The flagship project is the redevelopment of Paisley Museum to create a visitor destination of national status. The Museum has significant potential to drive the economic and cultural vitality of the town.
- 3.2 The vision is to create a truly accessible visitor experience that celebrates Paisley's story and the internationally recognised icons – the Paisley shawls and looms. The aim is to attract 150,000 visits each year, a significant increase from the current low base of 36,500.
- 3.3 An Outline Business Case (OBC) for the project was prepared to provide comprehensive costing, risk analysis and assessment of 'optimism bias' which informed a gross capital cost of £56.7 million. New revenue streams were identified, such as a new shop and cafe/restaurant to enable the Museum to become more self-sustaining. The economic impact of the project was estimated by the OBC at £89 million to the local economy and in total support 238 jobs.
- 3.4 The museum project is programmed for construction through to 2021 with a series of phased openings to maximise excitement and impact through the anticipated UK City of Culture year.

- 3.5 The museum project, also took an opportunity to re-locate the central library to a new High Street location. The Heritage Centre Library would remain as a critical part of the Museum. Costs for its relocations are being met separately and from within existing Regeneration Fund resources.
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4 Funding and application to HLF

- 4.1. The Council committed £15 million towards the project and a funding strategy for the remaining funds was developed. This targeted a matching commitment, at an early stage, from the Heritage Lottery Fund (HLF). An application to Heritage Environment Scotland has also been made for a £2 million grant and dialogue opened with Scottish Government to seek additional support.
- 4.2. The level of HLF applied for requires the decision of its UK Board but as is the process in these applications it was first considered by the Scottish Committee. Following a site visit the Scottish Committee approved the application on 8th March 2016, allowing it to progress to the UK Board of Trustees for consideration as a priority project. The UK Board of Trustees met on 19th April.
- 4.3. The UK Board of Trustees have now determined the application, deciding not to award the grant. The feedback received has described how well the project was received and the exemplary nature of the application itself. The Board concluded however, that the scale of the grant requested and the scale of funding that remained to be secured, placed the project at this stage to be too great a risk. This was against a context of the Board having to determine 18 project applications that cumulatively were seeking more than double the funds it had available to award.
- 4.4. HLF staff have therefore outlined to the Council what it might now consider as a way forward for the project:
1. Advancing the funding strategy and closing the scale of the unsecured funding gap; and
 2. Keeping costs and the business case up to date and a review of the proposals including the design solution and the business case assumptions.
- 4.5. HLF have advised that they would welcome the resubmission of an application in December 2016 but can however offer no guarantee of success as the level of budget available for awards and the competing applications are unknown at this stage
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5 Next Steps

- 5.1. The feedback received from HLF has confirmed that the project and the application are of the highest quality. It displayed the right level of ambition, was based on important and credible heritage and played an essential role in the regeneration of the town. The issues that the Board raised are financial and in order to advance the project further additional work is now required in these areas.

- 5.2. Furthermore we are conscious of our ambition to have the museum in a position to play a full role in our UK City of Culture 2021 bid. In order to do so project development and design work cannot stop. This formed part of our HLF application which estimated a further two years of development and design work involving a team of staff to be specifically employed to work on the project as well as specialist museum designers, architects and surveyors. The total cost of this work was put at £4 million, split equally by the Council and HLF.
- 5.3. The tasks that need to progress this year have been identified and costed. This will maintain momentum on the project and prepare for new funding requests. This includes the appointment of a Project Director, Project Manager and project specific curatorial staff. It is also proposed that the OBC team is reassembled to examine, test and refresh the business case in preparation for a new application to HLF in December and other funding requests over the year. Project development staff costs are estimated at £515,000 with a further £700,000 on OBC and design development.
- 5.4. The further development of the project's funding strategy is now essential. Given the advice of the HLF team the HLF Trustees are unlikely to view the project in a different light if no additional funding, from sources other than the Council, can be evidenced. Key to this will be securing a funding commitment from the Scottish Government and meetings are being arranged at a senior political and executive level to take forward dialogue on this. Similar to other major museum projects of this nature the funding strategy included a wider fundraising element outwith council, national government and lottery funding sources. It is proposed to review and strengthen the deliverability of the fundraising element and for this process to be supported through engagement of suitably experienced external support.
- 5.5. In total therefore the costs associated with advancing the museum project for the year are £1,215,000. These will have to be met entirely from existing Council resources. They are however essential to enable us to evidence to HLF and other major funders that the project has been further refined and developed and that the funding gap is reduced and the cost base of the project is fully understood, and thus the perceived risks relating to the project are being mitigated.

Implications of the Report

1. **Financial** – The costs associated with advancing the museum project for the year are £1,215,000 these will be ineligible for any future grant claims. These costs can be met from resources already committed to the delivery of heritage regeneration projects within Paisley town centre.
2. **HR & Organisational Development** – There are significant recruitment requirements for the delivery of the project. These are referred to in section 5.3 of the report.
3. **Community Planning** –
Jobs and the Economy – the project will significantly support the objectives to develop Renfrewshire a thriving place, supporting local places, businesses and communities.

Community Care, Health and Wellbeing; Children and young People; and Safer and Stronger – the project aims to deliver one of the most accessible Museums in the country and run significant programmes to reach audiences irrespective of age or physical, health or financial position

Greener – the capital works will provide a significant opportunity to improve the efficiency of the buildings. A carbon management plan will be produced at a more detailed design stage.

Empowering Communities – there will be new roles and opportunities for Museum Volunteers in the completed Museum and content will be developed in partnership with communities, ensuring that the museum has a strong community identity.

4. **Legal** – A Memorandum of Understanding is being developed with the Paisley Arts Institute to research fully the ownership of parts of the Museum's collection where clarity is still required. This will also seek to establish clear management arrangements for the Institute's operational needs.
5. **Property/Assets** – The project significantly extends and refurbishes Paisley Museum. Future running and maintenance costs have been estimated in the OBC and will be refreshed over the course of the next year, supported by the Council's continued role as the owner of the building and from new revenue streams that will support the future Museum and service.
6. **Information Technology** – Provision of ICT infrastructure in the new Museum will require specialist and sophisticated skills and will evolve during the future design phases. The Museum will need to be supported by a robust Collections Management system and web site.
7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** - None at this stage of project development
9. **Procurement** – All commissions will be procured through the appropriate procedures set out in the Council's Standing Orders Relating to Contracts. The Services of the Central Procurement Unit have been engaged to develop a Procurement Strategy for the coming phases of the project if approved.
10. **Risk** - The programme actively monitors key risks and issues associated with delivery in accordance with the Council's Project Management Framework.

There are inherently significant risks in a project of this scale and nature, around financial assumptions, funding availability and return on investment. The top rated risks are currently as follows and mitigating actions and allowances have been made and will be continually monitored. The work on reviewing and advancing the project over the next year will give particular attention to reducing these risks prior to a resubmission of an HLF application.

- The building structures may be in very poor condition and condition surveys may uncover the need for further investigative works, which may lead to a requirement for more refurbishment and impact on budget.
- Costs associated with the project development phase are not yet established and liable to be significant, which could lead to uncertainty around final funding figures required.
- Analysis indicates that in order to achieve the best possible return on investment in terms of economic and social impact, significant levels of investment will be required. The full range of anticipated benefits can only be realised if the full investment amount is secured, although this will be challenging to achieve.
- It is anticipated that the redeveloped museum, through significant targeted investment, will achieve a step-change in museum experience and usage, resulting in a significant uplift in visitor numbers, with the associated benefits for the town and surrounding communities. It is imperative that the overall vision and design is of sufficient quality and maturity, otherwise the full return on investment may not be achieved.

11. **Privacy Impact** – None.

List of Background Papers

- (a) *Report to Economy and Jobs Policy Board, 29 January 2014, Paisley Heritage Asset Strategy*
 - (b) *Report to Economy and Jobs Policy Board, 11 November 2015, Regeneration of Paisley Town Centre - Paisley Museum*
 - (c) *The Paisley Museum Draft Report and Outline Business Case, prepared by Metaphor, BOP Consulting and Page\Park Architects*
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