

**To: Leadership Board**

**On: 30 November 2016**

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**Report by: Director of Development and Housing**

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**Heading: The Regeneration of Paisley Town Centre – Paisley Museum Project**

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## **1. Summary**

- 1.1 The redevelopment of Paisley Museum and Art Gallery is the signature project of the Paisley Heritage Asset Strategy, approved by the Council in January 2014. This paper provides an update on work undertaken to revise project proposals following the unsuccessful bid to the Heritage Lottery Fund (HLF) in November 2015, and following feedback from HLF on that application.
- 1.2 Renfrewshire Council applied to HLF in November 2015 for a £15m grant as part of a £56.7m museum redevelopment project. The funding application was considered by the HLF National Committee at their meeting in April 2015 and the outcome was reported to this board at the meeting of 8<sup>th</sup> June 2016.
- 1.3 The HLF held an indicative budget of £50m for last year's major grant applications. There were 12 applications totalling £150m, with five projects awarded funding.
- 1.4 The feedback received from HLF confirmed that the Paisley Museum project was of high quality and met the criteria for funding, however there was a significant fundraising challenge and this made the project higher risk than others considered. The UK Board of Trustees 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.
- 1.5 The Director of Development and Housing Services and Director of Finance and Resources were given authority by the Leadership Board in June 2016 to assemble the project design team and funding team, and to meet the required cost from the established project budget.
- 1.6 The Leadership Board of June 2016 further approved the development of a new application to HLF in December 2016 and agreed to continue development and design work on the project both to maintain progress towards delivery and to demonstrate progress to HLF.
- 1.7 Since this date, work has been undertaken responding to HLF feedback, to reduce the overall cost of the project and to develop a funding strategy which ensures the project is deliverable for all funding partners.

- 1.8 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 resubmit an application for revised proposals to HLF.
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## **2. Recommendations**

- 2.1 It is recommended that the Board:

- i. Note the revised project proposal being submitted to Heritage Lottery Fund to address the issues outlined in HLF feedback provided in May 2016.
  - ii. Authorises the Director of Development and Housing Services and Director of Finance and Resources to submit an application to HLF for funding of £10m to support delivery of the revised Paisley Museum Project.
  - iii. Note the revised funding package proposals and agree that the earmarked Council resources are adjusted in line with the proposals outlined in section 5 below.
  - iv. Note that the Council will continue work to develop the project, with resources as approved by June 2016 Leadership Board, in order to maintain momentum of project to the point where HLF permission to start is received, assuming HLF approval in May 2017.
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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 signature project is the redevelopment of Paisley Museum to create an international quality visitor destination. The Museum has significant potential to drive the economic and cultural vitality of the town.
- 3.2 An Outline Business Case was commissioned by a team of consultants in April 2015 led by Metaphor, with their report delivered in October 2015. The Outline Business Case 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. Plans were submitted to the HLF in November 2015.
- 3.3 The proposals submitted to HLF were considered at a meeting of the HLF Board of Trustees in April 2016. HLF staff provided feedback following the Board discussion and decision. The key advice received was around the development of a funding strategy which includes a greater degree of secured funding commitments towards the overall project budget, ensuring that the project is realistic and deliverable for all funding partners. In particular, given the limited national funding pot of £50m in 2016/17, we were advised by HLF officers that an application for more than £12m would present the project as an 'outlier' in comparison to other projects and present a great risk of not being funded. There was therefore a strong presumption against our previous ask of £15m.
- 3.4 Further recommendations were that it would be advisable to review the project costs and whether there is scope to phase the project. It was also recommended that we obtain an objective appraisal to support our preferred project option.

- 3.5 Since receiving feedback from the HLF, officers have refined and agreed the vision and outcomes for the project to ensure that the level of ambition for the project is clearly articulated; reappointed the original consultants to explore alternative architectural options which will deliver the ambitious vision and outcomes; appointed consultants to undertake a third party review of the project cost and business case; undertaken an analysis of whether the project could be phased; and developed proposals to be presented to the Heritage Lottery Fund. These steps are summarised as below:

#### 3.5.1 Vision and outcomes

The vision is to create a visitor experience of international quality, the signature project of Paisley's regeneration strategy, telling the inspirational stories of Paisley, its heritage and its pattern.

The planned outcomes for the project are:

- i. Cultural tourism developed as a result of the internationally recognised Paisley pattern being reconnected with its place
- ii. Increased economic activity and investment in the town centre
- iii. Perceptions transformed and civic pride restored
- iv. Paisley's profile re-established as a creative, innovative, radical place, prepared to think differently, with the museum at its heart
- v. Local participation in sustained growth and development of the content and activity of the museum, building community confidence and ownership

The aim is to attract a minimum of 125,000 visits each year, a significant increase from the current low base of 36,500. The overall economic impact of the preferred option on Renfrewshire over 30 years is £81 million and will support 163 jobs through capital spending and 46 jobs per annum through revenue and visitor spending.

#### 3.5.2 Redevelopment of architectural solutions

The original consultancy team led by Metaphor were reappointed in July 2016 to explore alternative architectural options which would reduce overall project cost and still achieve the ambitions of the project. A number of options were explored with the project team. The preferred option significantly reduced the scale of the new build extension to the side of the building, by not extending as far back into the hillside to create a partially subterranean temporary exhibition area. Instead an upgraded temporary exhibition area will be created within the existing building. The new-build extension will contain a visitor reception, destination shop, a café / restaurant and weaving studio. To the rear of the extension there will be a landscaped garden area, leading up to the Observatory. The building will be extensively refurbished and the collections completely redisplayed and reinterpreted throughout the museum, resulting in a 100% increase in the collections on display. Physical access issues and circulation will be resolved, ensuring that the whole experience meets the needs and interests of visitors. The previous project cost presented to Leadership Board in 2015 was £56.7m. The project cost has now been reduced to £49m.

#### 3.5.3 Commission of third party peer review

Following the recommendation of HLF officers, a third party peer review was commissioned of the project costings and business case. This peer review was carried out by a team at Aecom, led by the Director (Leisure and Culture) who provided QS services to the £42m V&A Exhibition Road project in London, due for completion in 2017. They conducted an analysis of the proposals in October 2016.

They raised a number of areas for further examination, which have now been addressed through further work with Metaphor. Aecom's report and a document detailing how we have responded to areas they raised will both be presented as part of our HLF application. Their input has ensured that the proposals we present to HLF have been tested and are robust.

#### 3.5.4 Consideration of phasing

The Project Team conducted an analysis of options for phasing the project, as advised by HLF. Phasing the project would involve securing funding packages to deliver separate stages of the project, and would make securing funding for a first phase more straightforward. However, it does present a risk of subsequent phases not securing funding. The technical options for phasing the project were limited, due to the nature of the site (complex historical buildings and only one point of site access for plant access). We judged that the only technical option for a second phase (refurbishment of Oakshaw properties and the Observatory) did not represent a significant enough phase to justify the £0.5m cost that would have been incurred by delivering the project in phases. Our process in arriving at this decision was referred to Aecom for analysis as part of their peer review.

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### 4. Programme

Renfrewshire Council approved in June 2016 release of £1.2m from Council's project contribution to initiate the project. A Project Director was recruited in September 2016, and further project staff will be recruited. Assuming a successful bid to HLF and a Stage 1 pass, permission to start will be received in June / July 2017. The HLF process then involves a 2 year development phase to refine and develop detailed plans, which will be submitted as a Stage 2 bid in 2019. This phase will involve detailed work with local communities, organisations and individuals to research and develop the planned displays. The museum will close to the public in Summer 2018, and will fully reopen in 2022. The museum will play a part in the UK 2021 City of Culture programme - participation in remaking the museum will feature in the programme, and options will be explored during detailed design process as to whether a part of the building can be delivered for use as part of a City of Culture programme.

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### 5. Funding strategy

At the same time further diligence and development work has been completed on the overall project proposals, work and engagement has been progressed to further develop a proposed funding strategy to support financing the project. It is recognised that seeking funding contributions for projects of this nature is a very competitive environment. As a consequence this work has focused on developing and demonstrating the robustness and deliverability of the funding strategy. Demonstrating this is seen as being a key area to strengthen the overall bid being made to the HLF, but also to other organisations and both the UK and Scottish Governments in order to build and secure confidence in the overall deliverability of the project.

Outlined below is a breakdown of the updated funding package which includes a proposed increase in the Council's earmarked commitment to the project.

- Renfrewshire Council – it is proposed to increase the resources committed from the Council towards the project to £26 million. This is an increase of £11 million from the existing £15 million contribution which is earmarked within existing Town Centre Heritage investment resources. As a consequence of downward movements in borrowing rates the Council is able to access, coupled with a new

build element being incorporated into the more fully developed project proposals (which can be repaid over a longer term period), an additional £6 million of investment capacity can be levered into the project from the existing revenue resources already earmarked by the Council. In addition, a further £1.5 million of existing Town Centre Heritage resources are proposed to be re-directed from the Russell Institute project which is nearing completion. As the Russell Institute project has been progressed, a fully self-financing solution has been secured which allows the £1.5 million which was initially earmarked to support the project to be released and re-directed to support the Museum project. Both these measures would increase the funding committed to the Museum project to £22.5 million from currently approved Town Centre Regeneration resources. Further, it is proposed to direct £3.5 million of funding from generated from capital receipts secured by the Council over the recent past and which at present remain uncommitted. This would provide an overall £26 million funding commitment from the Council towards the project proposals.

- As outlined earlier in the report, taking on board feedback from the HLF from the initial bid submission and recognising the degree of resources available to the HLF for distribution and scale of competition that is likely to be experienced, a revised ask of the HLF will be for £10 million.
  - Early applications for two separate £2 million tranches of funding were made to Historic Environment Scotland and the Regeneration Capital Grant Fund (RGCF) operated by the Scottish Government. The project submission was positively received by both these funding streams, with HES confirming they are supportive of the project and willing to assist with funding following completion of the current development of the project and greater certainty being secured on the overall funding package. Similarly the RGCF Panel noted that it was a project of interest, subject to ongoing development and given there would be no grant requirement in 2017/18 a further application would be considered as part of the 2018/19 funding round. It remains the intention therefore that two tranches of funding at £2 million will look to be secured through these application routes.
  - Should the Council be successful in assembling the above funding commitments there would remain a residual £5 million funding requirement to support the overall £49 million budget. It is proposed that the Council would put in place arrangements for a major Fundraising Campaign to be taken forward to secure this remaining funding requirement. The delivery of such campaigns has proved to be a successful element in delivering overall funding arrangements in many similar heritage projects of this nature. The Council has engaged external expertise in this field to develop a credible strategy for the delivery of such a fundraising campaign. This strategy has scoped and assessed £5 million, net of costs, as being a realistic target that would look to be secured over a 4 to 5 year period, has assessed the key areas that would be targeted by such a campaign, has assessed the key areas of competition and how the proposed strategy would be taken forward and implemented. It is recognised that campaigns of this nature will operate in a competitive fundraising environment, require to be appropriately established and resourced and will not be risk free. Ultimately there would be a requirement for the Council to underwrite the fundraising target should the full net £5 million not be achieved over the full fundraising period. However, the work completed to date has provided an appropriate degree of diligence that this level of campaign is commensurate with the overall funding proposals, realistic in the current fundraising environment and overall deliverable.
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## **6. Relationship of Museum to other projects**

The Museum redevelopment project sits within a context of development which allows us to present a strong case to HLF for investment. Developments such as City Deal projects which will improve travel connections, Town Centre 2016-26 Action Plan which will improve town centre environment, and destination branding development all strengthen our presentation of the development of an international quality visitor destination. Relationships to other key projects are outlined below.

### **6.1 Museum store**

A new publicly accessible museum store will open on Paisley High Street in Autumn 2017. This £3.7m development has been entirely funded by Renfrewshire Council. The museum store will be in the basement of what was the old Littlewoods store, and as far as we are aware, will be the only facility of its kind in the UK with a High Street entrance. Conditions for collections currently stored in an old barracks building will be greatly improved, with environmentally appropriate conditions in stores. Groups will be able to book store tours, and a learning area will support the investigation of collections and associated creative and learning activity. The project is being delivered with Collective Architecture, and is currently in construction phase.

This facility will greatly support our ability to develop content for the museum, by providing improved storage, organisation and documentation of collections, as well as much improved environment for staff and collaborators to investigate the collections and conduct related research. It will also support public interest being generated into the depth and quality of our collections.

### **6.2 Learning and Cultural Hub**

As part of Paisley's town centre regeneration, the Central Library, currently housed in the museum building complex, will be relocated to the pedestrianised section of the High Street, thus freeing up space in the building to be repurposed for the museum. The current Library suffers from the same issues as the museum, in that it is physically difficult to access for a number of users, and the building does not meet the needs of a contemporary library. By relocating the Central Library and developing a new Learning and Cultural Hub, we will support the regeneration of the town centre by bringing additional footfall to the heart of the High Street, and develop a fit-for-purpose contemporary learning and cultural hub which meets the needs of existing and potential audiences. Work to date to develop this project has included a public survey conducted in January 2016 to establish levels of support for the relocation, a creative visioning exercise with users and school groups to look at what is needed in a new Library, and a spatial analysis of how the High St property can be brought into use as a Library. Work is ongoing to develop the detailed plans for the property. This project was successful in stage 1 of the recent Regeneration Capital Grant Fund and a stage 2 submission will be made in November 2016.

### **6.3 UK 2021 City of Culture**

The redevelopment of the museum will deliver one of the key legacy projects for UK City of Culture. In the lead up to, and during 2021, there will be widespread public involvement in creating content for the museum. Members of the community will be involved in working with the museum team to co-create exhibitions and activities. These activities and programmes will be fully integrated with the City of Culture programme, and as plans for the museum develop in more detail, opportunities will be identified where collections and stories can be featured within City of Culture programme. Opportunities during a City of Culture programme may involve content development (ie workshops on film-making which will feature in the museum); large scale art projects such as a hoardings project; and / or delivery of part of the building to be used within City of Culture programme.

## Implications of this report

### 1. Financial Implications

As detailed in section 5 of the report which would commit £26 million of Council resources to the project and require the Council to underwrite any shortfall on the proposed £5 million fundraising campaign.

### 2. HR and Organisational Development Implications

There are significant recruitment requirements for the delivery of the project. Recruitment of project staff over the next few months will be met by resources already committed by the Leadership Board of June 2016, further project staff will be recruited once HLF funding is received.

### 3. Community Plan/Council Plan Implications

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|---------------------------------------|---|
| Children and Young People             | - 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                   |
| Community Care, Health and Well-being | - 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                   |
| Empowering our 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 |
| 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.                                 |
| Jobs and the Economy                  | - the project will significantly support the objectives to develop Renfrewshire a thriving place, supporting local places, businesses and communities.  |
| 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                   |

### 4. Legal Implications

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 Implications

The project significantly extends and refurbishes Paisley Museum. Future running and maintenance costs have been estimated in the OBC and will be refreshed during the Full Business Case planning, 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 Implications**

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 and Human Rights Implications**

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 because for example it is for noting only. 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 and Safety Implications**

None at this stage of project development.

**9. Procurement Implications**

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 Implications**

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.

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## **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) *Report to Leadership Board, 8 June 2016, The Regeneration of Paisley Town Centre – Paisley Museum Project*
- (d) *The Paisley Museum : Vision and Masterplan, and Outline Business Case prepared by Metaphor and BOP Consulting.*

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