

REPORT OF THE STRATEGIC DIRECTOR
TO THE EXECUTIVE
2 SEPTEMBER 2005

Future of The Old Gaol

1.0 Introduction and Report Summary

- 1.1 A feasibility study was commissioned into the redevelopment of the Old Gaol as a combined Arts and Cultural Centre. Approval to the appointment of ABL Cultural Consulting Limited was given on Friday, 5 November 2004. A copy of the study report has been circulated to all members of the Executive. Anyone else wishing to see a copy of the report should contact the Democratic Services Officers on 01235 540306.
- 1.2 This report appries the Executive of the findings of the feasibility study which has now been completed.
- 1.3 The contact officer for this report is Andrew Morgan, Assistant Director (Property Services) (01235 520202, Ext 542).

2.0 Recommendations

- (i) *That the Council accepts the report's content and findings on the feasibility of developing the Old Gaol site as a mixed cultural/Heritage/Social Centre;*
- (ii) *that, if recommendation (i) is accepted, the Council does not proceed to commission the redevelopment of the Old Gaol as a Cultural/Heritage/Social centre; and*
- (iii) *that the Executive receives a further report on the future use of the Old Gaol site in order to consider the possible options.*

3.0 Relationship with the Council's Vision, Strategies and Policies

- (a) Complies with the Council's Vision Statement and objectives A, B, D, F and G.
- (b) This report does not conflict with any Council Strategy.
- (c) This report supports the Town Centre and Village Vitality District Council priority.

4.0 Background

- 4.1 The Old Gaol Working Group comprising this Council, Oxfordshire County Council, Abingdon Town Council and Abingdon Performing Arts Group Enterprise (APAGE) agreed a project brief and specification to appoint Consultants to conduct a feasibility study. Copies of these documents are available as background papers. In essence the aim of the study was:-

- To provide a professional, unambiguous and objective analysis of the feasibility of developing the Old Gaol as envisaged in the earlier studies, in order for the Partners to determine their ability to develop and operate such a facility. Such an analysis was to focus upon:
 - The capital costs of the scheme.
 - The revenue implications of operating the facility.
 - The market for the services offered.
 - The probability of securing external funding towards the capital costs of the project.
 - Meeting the needs of each of the stakeholders or operating Partners.
 - The viability of establishing appropriate and successful long term management structures.
- On completion of Phase I and assuming viability could be proven, the Partners were to consider commitment to Phase II. This phase was to arrange:
 - The submission of an application for Heritage Lottery Funds (and/or such other bodies) and to ensure that any issues attendant on the submission(s) were promptly and effectively dealt with.
 - The drafting of all the paperwork required by the Partners to appoint a design team to lead the capital project.

Phase I was completed at the end of July 2005 with Phase II being dependant upon its findings. Phase II has not been commissioned.

- 4.2 The scheme itself consisted of redeveloping the Old Gaol; as a multi-functional community and cultural attraction comprising:
- Flat floor facility
 - Theatre (or a combined theatre/cinema)
 - Cinema
 - Library
 - Museum
 - Restaurant/Bar
 - Café Bar
 - Shops/additional business space
- 4.3 The study was conducted over a period of approximately seven months. It involved full and active participation of the partners via an informal working group. This allowed ABL to keep all Partners updated on its progress and in particular the results of market analysis, cost appraisals and other relevant information as it became available. All Partners have accepted the report's contents in terms of factual accuracy and are happy for that report to go forward formally to the respective decision-making bodies.

5.0 **Financial Implications**

- 5.1 The financial consequences of this Council embarking upon a development as envisaged, with the scope of service being offered, are somewhat stark. In essence there are a range of possible development options and services that could be delivered. Each of these options has been costed. To simplify matters the table below indicates the capital costs of the options both in terms of the cost of development, and in terms of the loss of revenue which that capital is currently generating for this Council. This revenue currently funds a range of council services and activities.

Total Required Capital Contribution			Vale Capital Requirement	
Option	Capital Cost – Full Scheme	Total Annual Cost of Capital	Vale Portion of Capital Cost	Total Annual Loss of Investment Income to the Vale
Option 2C	£21.7 million	£1,085,000	£15.7 million	£785,000
Option A (Includes Programmed and Non Programmed Model)	£19.7 million	£985,000	£12.6 / 9.9* million	£630,000 / £495,000
Option B	£21.2 million	£1,060,000	£16.3 million	£815,000
Option 3B	£17.2 million	£860,000	£11.1 million	£555,000
* The difference in the Vale Portion of Capital Cost between the Programmed and Non Programmed version (ie between the £12.6 million and £9.9 million) is explained by the assumed sale of the commercial elements in the Non Programmed Option (the lower figure). This sale would generate capital which would be used to offset the Capital Development costs of the project.				

Vale Revenue Position			
Option	Estimated Net Revenue Cost Per Annum	Total Annual Loss of Investment Income to the Vale	Estimated Total Revenue Cost Per Annum
Option 2C	£450,281	£785,000	£1,235,281
Option A – Programmed Model	£247,194	£630,000	£877,194
Option A – Non Programmed Model	-£183,558	£495,000	£311,442
Option B	£313,910	£815,000	£1,128,910
Option 3B	To be provided	£555,000	To be provided
* All of the above revenue figures exclude lettable areas, the library and museum i.e. those areas whose overheads would be covered by commercial tenants, Oxfordshire County Council or Abingdon Town Council. It also assumes that the occupiers would bear a proportional cost of running the communal areas in accordance with the floor space occupied by them.			

Full details on what each of the options envisages by way of the type and range of services offered are set out in full within the ABL report. Option A emerged as the preferred option for the majority of shareholders. It was assessed as **Option A The Programmed Model**. In addition, ABL also assessed a reduced cost version of Option A, called **Option A The Non Programmed Model**. These are both explored below.

Option A The Programmed Model assumes a busy schedule of film and theatre events with high staff costs to organise such a programme. **Option A The Non Programmed Model** (or “Hires Only”) assumes that the staff, marketing and promotional costs, of both programming the theatre function and advertising to the public, will be significantly less. This predicts a possibility of reducing the revenue cost by approximately £400,000 pa. This indicates a small surplus to be generated until one considers the cost of using £9.9 million of capital at an annual cost of lost income of approximately £495,000.

The return the Council generates from its capital cash balances is currently in the order of 5%, or £50,000 per million per annum.

6.0 **ABL Report Findings**

6.1 ABL, having analysed the feasibility of the project, came to various conclusions which are set out below:

- The scheme is expensive and external capital funding to any significant extent is not available. On the figures available it should be stated that the scheme could not be countenanced unless the three funding partners of Oxfordshire County Council, The Vale of White Horse District Council, and Abingdon Town Council, were able to contribute in full to their proportion of the costs. Even if this was to be the case a significant shift in capital and revenue resources would be needed to ensure success in developing the site. The service consequences of lost revenue generated by the use of capital would have to be managed. This would undoubtedly mean that severe service realignment would be required to ensure resources matched services. The affordability of the development is therefore at best problematic and at worst would have enormously difficult financial consequences which would have to be managed for many years to come.
- The annual revenue costs of running such a facility to maximise its potential are high. This immediately causes grave concern as to its affordability and sustainability in revenue terms. If one considers that large amounts of revenue income would no longer be available to fund the facility, the ongoing commitment would effectively limit the deployment of existing services and restrict any development or expansion to meeting changing needs. Flexibility in operation of services, many of which already exist, would therefore inevitably result. It will simply cost too much to run.
- Whilst the scheme is innovative and has been described as “excellent” by the Consultants, the resources of the partners given the above are inadequate to deliver such a project. In addition the intrinsic risks in implementing such a development on this scale would inevitably mean that there would be a risk that costs would rise due to unknown or unforeseen events. This risk factor must be considered when assessing the viability of the proposal.
- That ABL have identified a level of demand for a small scale arts centre. This, it has been argued, is not being adequately met.
- That the opportunity to attract external funding from a body such as the Heritage Lottery Fund, SEEDA etc. on the scale required would very probably be unsuccessful. As a consequence the financial resources of the three authorities who have been working in partnership together with APAGE – the voluntary arts group, would be all that was available with any certainty to deliver such a project.

6.2 The report indicates the respective positions of the various Authorities who could be expected to contribute to the development and operation of the scheme.

6.3 Oxfordshire County Council have a range of competing priorities for capital monies. The County Council has indicated that this project will not be of sufficiently high priority amongst many priorities for its limited capital resources. The £3.2 - £3.5m which would be required from the County to participate in this scheme would comprise its entire available annual capital programme budget. It is not in a position to make this choice nor to make this level of commitment for the whole of the County.

6.4 Abingdon Town Council with limited assets and cash reserves would find the £2 - £3 million required for the Museum element extremely difficult to fund. Funding this project would entail a significant redirection of its resources. A similar position exists with respect to its revenue commitment.

6.5 No authority, at the time that this report was prepared, had taken a formal resolution as to its position.

7. Options

7.1 In formally accepting the Consultants conclusions that no financially viable scheme to develop the Old Gaol as a Cultural Centre has been identified, the Council has two options, as set out below:

7.2 Option 1

This Council could decide to make no decision regarding the findings of redeveloping the Old Gaol. This would effectively place the report in limbo and leave the use of the facility for multicultural purposes undecided. This is not recommended given the clarity of the report's findings as regards financial viability. The scheme's feasibility has been properly explored and the report's findings regarding the feasibility of development should be accepted.

7.3 Option2

This Council could accept that ABL have thoroughly and properly investigated the feasibility of redeveloping the Old Gaol complex and accept the report's findings. This would mean that the future redevelopment of that facility for a combined arts/cultural/heritage centre would, on the basis of the capital and revenue costs involved, have to be rejected.

8. Conclusion

The completeness of the report submitted by ABL should be recognised and the findings in relation to the feasibility of redeveloping the Old Gaol as a Cultural Centre reluctantly acknowledged. As a consequence Option 2 is the only realistic approach to adopt, as reflected in the recommendation.

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Background papers: Consultants Report