

# Executive Decision Report

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## **Richard III Visitor Attraction**

Decision to be taken by: City Mayor  
Decision to be taken on: 21 June 2013  
Lead director: Frank Jordan

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**City Mayor**

## Useful information

- Ward(s) affected: Castle Ward
- Report author: Louise Seymour
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- Report version number: 1.5

***PLEASE COMPLETE ALL SECTIONS. IF YOU SUBMIT FURTHER INFORMATION PLEASE USE CLEARLY MARKED APPENDICES.***

### 1. Summary

The purpose of this report is to:

- Provide details of the business plan and projected visitor numbers for the proposed visitor attraction.
- Provide details on the proposed operating model, and to seek approval to procure specific expert advice on the option for a trust model.
- Provide details of the capital budget requirements for the King Richard III visitor attraction and to seek a decision on funding.
- Seek a decision on the award of the construction contract.
- Confirm the visitor attraction design and layout as part of the submission of a planning application.
- Seek approval to commission external repairs to the frontage of 6-8 St Martins.

### 2. Recommendations

The City Mayor is asked to:

- (1) Confirm the visitor attraction design and layout as part of the submission of the planning application and any listed building consent application requirements.
- (2) Note the visitor attraction business plan and the revenue income and expenditure projections.
- (3) Approve a capital budget for the development of the attraction of £3.985m, to be funded from underspends in corporate revenue contingency budgets (2012/13), reductions to the corporate insurance fund and monies already earmarked within the capital programme regeneration provisions, as set out in the financial implications section; and add the scheme to the approved capital programme.
- (4) Approve the appointment of Morgan Sindall through the SCAPE EMPA framework for the construction contract.
- (5) Note the requirement to procure a specialist exhibition fit out contractor.
- (6) Approve further work and the engagement of specialist advice on the operating model options, at an estimated cost of up to £30,000 funded from the City Development and Neighbourhoods budget or reserves.
- (7) Approve a budget of £10,000 from the capital programme regeneration provisions for remedial works to the frontage of 6-8 St Martins.

### **3. Supporting information including options considered:**

#### Option 1.

To take forward a proposal to develop a King Richard III visitor attraction in the former Alderman Newton school, to incorporate within the visitor centre the grave site to create a complete visitor experience. Seek to complete the visitor attraction by Spring 2014 to coincide with the re- interment ceremony in Leicester Cathedral thereby maximising the benefit of this unique opportunity to attract visitors to the City, and the potential economic benefits this also brings.

#### Option 2.

To continue to operate the temporary visitor attraction within the Guildhall, and allow occasional managed access to the grave site at Grey Friars.

#### Option 3.

To take no action. Allowing the temporary Richard III exhibition to close following the re-interment ceremony.

Option 1 is the preferred option.

The discovery of the remains of King Richard III in Grey Friars car park in September 2012, resulted in worldwide public and media interest and a focus on Leicester. This has led to an increase in visitors to the City, and a strong interest in the story of Richard III, his final resting place and the archaeological and scientific work which led to both the discovery and confirmation of identity of the remains unearthed in a council car park.

Working closely with the University and Cathedral, the Council's response to this unique find led to the establishment of a temporary visitor attraction in the Guildhall. This exhibition has had over 80,000 visitors since it opened in February, and the City and its businesses have already seen the benefit of the increased tourism interest and visitor numbers to the City. The potential value of the visitor attraction to the local economy has been estimated using a formula provided by Visit England. This projection suggests that the potential value to the local economy in year 1 could be over £4m, with an average value of £2.5m per annum in subsequent years i.e. a total of some £14m over five years.

The acquisition of the former Alderman Newton School adjoining the grave site has enabled a proposed design for a permanent visitor attraction to be developed, which incorporates and allows access to the grave site as part of the visitor experience.

Two preferred models of governance and operation for the proposed visitor attraction are presented: a Centre run by an independent charitable trust and a Centre run by the Council. The business plan for the visitor attraction has considered income and revenue projections for both models.

The projected annual revenue income and expenditure for both models shows a surplus in years 1 and 2, directly due to the anticipated high visitor numbers on opening (an estimated 100,000 visitors in year 1, 62,500 in year 2, levelling to 50,000 visitors per year from year 3 onwards). This is a conservative figure and advice received suggests that by year three the figure will fall to 65% of year one and then stabilise.

Detailed consideration of the projected income streams, expenditure, assumptions and risks associated with both models has been undertaken and concluded that both are financially viable and self-sustaining over the short to medium term. The longer term position is more difficult to predict with certainty, as it will be driven by key variables such as visitor numbers and opening hours. Further work is required to establish whether the Trust model would be the best long term option and how such a trust would be structured.

In order to assess the potential opportunity for a visitor attraction within the former Alderman Newton School, design work has been undertaken to establish the appearance, content and arrangement for a new visitor attraction, incorporating the grave site within the visitor experience. This work is now complete and subject to agreement on the final design will be submitted as a planning application. On the basis of reaching RIBA stage D a provisional cost plan has been established and a budget for both the external and internal works and an exhibition content budget has now been established. The budget requirement for all internal and external works is £3.985m.

In order to meet the requirement to open a visitor attraction in the former Alderman Newton School by April 2014, Morgan Sindall were selected from the EMPA framework and have been working on developing this project since late 2012. Morgan Sindall has been appointed from the intermediate panel of the EMPA framework for projects up to £2m.

Since the internal exhibition fit out is a very specialist requirement the Council will procure this element of the works directly as client with Morgan Sindall remaining as principal contractor.

The frontage of the 6-8 St Martins and 17 New Street adjoin the visitor attraction and face the proposed Cathedral Gardens scheme. Social Services are to be relocated from the buildings over the summer and these attractive listed buildings have potential for future conversion to residential use. Presently the building fabric is in a poor state of repair and the external elevation has a neglected appearance, which will be brought into sharp focus when the surrounding buildings and public realm receive significant investment. An assessment of the works required to clean, paint and repair the frontage of the buildings has been obtained from Property Services. This work can be funded from the regeneration provisions and a budget of up to £10,000 is expected to be required. In view of the buildings' location opposite the Cathedral it is considered that investment in the cleaning and maintenance of this building would enhance its general appearance prior to the re-interment ceremony in spring 2014.

#### **4. Details of Scrutiny**

None

## 5. Financial, legal and other implications

### 5.1 Financial implications

The estimated capital costs for the development of the visitor attraction amount to £3.985m.

Of this, £0.15m was approved by a City Mayor decision on 27th February 2013, for technical and design feasibility work, to be funded from underspends in corporate revenue contingency budgets (2012/13). £0.783m is already earmarked within the capital programme regeneration provisions. It is proposed that the balance of £3.052m should be funded from corporate resources as follows:

(a) Performance on the management of the Council's insurance claims continues to be good. The Council manages most of the risk of insurance claims internally and the fund stood at £5.8m on 1<sup>st</sup> April 2012 (a further £5.6m was held as a provision for known claims). Following an actuarial review and the 2012/13 performance of the fund, the fund can be reduced by £2m, which can be used for this project; and

(b) As part of the approved 2012/13 budget, a contingency of £2m was set aside as a buffer against unexpected spending pressures, and difficulties in delivering any of the agreed budget savings. Work on the revenue outturn is almost complete, and it is now apparent that the full sum will not be required. After applying £2m from the insurance fund, a sum of £1.052m will be required from this source.

Both a directly run and charitable trust model of operating the centre are expected to be financially viable and self-sustaining over the short to medium term. The longer term is more difficult to predict with any certainty, however, the trust model appears possibly more certain over the longer term due to its expected financial advantages. The on-going financial sustainability will be subject to key variables or sensitivities, including visitor numbers; ticket prices; the regulatory framework for VAT, GiftAid, Business Rates and any other taxes; staffing numbers; and periodic refreshing of the exhibitions and displays. These can be mitigated in a number of ways, including targeted marketing; comparison with similar visitor attractions; reviews of staffing levels and opening times; establishing reserve funds to meet periodic costs; correct structuring and governance; and annual reviews of the business plan.

The planned remedial works to adjoining properties are expected to cost up to £10,000, which can be funded from the regeneration provisions in the capital programme.

Up to £30,000 is required to commission specialist advice to inform the potential development a trust to operate the centre. It is proposed to fund this from within the City Development and Neighbourhoods budget or reserves.

Colin Sharpe, Head of Finance, ext. 29 7390

## 5.2 Legal implications

- 5.2.1 The preferred options considered for the ultimate running of the facility are (a) direct provision and (b) operation by a charitable trust (or an operating company of a charitable trust)
- 5.2.2 The other options, not submitted as preferred, would be a management contract or a service concession, or indeed a local authority company structure.
- 5.2.3 The charitable trust option is complex and the proposal for a detailed consultancy is supported in particular because of the need to understand, and secure, the advantages of business rates relief and VAT reliefs and exemptions (and the arrangements will need careful planning to secure the VAT advantage) and also to understand and mitigate the potential difficulties of costs and risk allocation (especially capital costs associated with investment in the building) in the longer term.
- 5.2.4 Legal Services will be able to provide advice and support to draw up the transaction documents such as lease, operating agreement and any agreement regarding the use of museum collections, as well as advice on the type of charitable vehicle (for example company limited by guarantee, community interest company etc.) This is a new facility so there should be no TUPE implications. There are procurement implications and further legal and procurement advice should be obtained. Legal Services can also provide advice as to the requirements for lease disposals and "best consideration", and any state aids analysis.
- 5.2.5 Separate issues arise as identified in respect of the contract for the refurbishment works. The preferred option is to continue with the Morgan Sindall appointment for "main works" and treat fit out and other items as identified in the report. I note that it is proposed that Morgan Sindall remain principal contractor and site management arrangements will be put in place with them I as principal contractor for the exhibition fit –out contractor. I understand that these arrangements will have been consulted upon with Scape and Scape are willing to provide framework management services on the above basis.
- 5.2.6 Legal advice has been provided on the procurement implications and this advice has been considered in the framing of the financial implications.
- 5.2.7 The principal powers of the Council to implement this project are section 144 of the Local Government Act 1972 and the general power contained in the Localism Act 2012.

## 5.3 Climate Change and Carbon Reduction implications

The decision on whether to operate the King Richard III Visitor Centre directly by LCC or as a Trust has direct implications on the city council's own carbon footprint. Direct LCC operation will require the council to pay all fuel bills, Carbon Reduction Commitment liabilities and the energy used onsite will form part of the council's carbon footprint. Estimates based on the energy use per m2 at other LCC Museums put the

electric and gas costs of the new visitor centre at £18,500 per year plus an additional £1,328/yr CRC cost (at £16/tonne). This will add 83 tonnes of CO2 onto the LCC carbon footprint.

If the visitor centre was to be run by a trust it would fall outside of the scope of the city council's own carbon footprint and CRC requirements but still contribute to the citywide carbon emissions. Planning policies such as Core Strategy policy CS2 on climate change, energy efficiency, renewable energy and flooding as well as saved policy BE16 on Renewable Energy should ensure that this site has mitigated and adapted to climate change as it has been developed.

Energy efficient services that are installed, such as a proposed new heating system, will ensure efficient operation of this building in future years.

Charlotte Wood, Senior Environmental Consultant (Climate Change), Environment Team 29 8174

#### 5.4 Equality Impact Assessment

An equality Impact assessment has not been undertaken. This will now be prepared.

#### 5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None.

#### **6. Background information and other papers:**

None.

#### **7. Summary of appendices:**

None.

#### **8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?**

No

#### **9. Is this a "key decision"?**

Yes

**10. If a key decision please explain reason**

Capital expenditure of over £1 million is to be committed on a scheme that has not been specifically authorised by Council.