

REPORT FOR: **CABINET**

Date of Meeting:	11December 2014
Subject:	Future Options for Harrow Museum: Headstone Manor and Harrow Museum Delivery of Master Plan and approval to explore future potential governance arrangements.
Key Decision:	Yes
Responsible Officer:	Paul Najsarek, Interim Head of Paid Service and Corporate Director of Community Health and Wellbeing
Portfolio Holder:	Councillor Sue Anderson, Portfolio Holder for Community, Culture and Resident Engagement
Exempt:	Public, except for Appendices 2, 3a and 6a/b which are exempt under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that as they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) – [contain financial and business information relating to the proposals received from bidders]
Decision subject to Call-in:	Yes
Wards affected:	Headstone North – location of project All Wards – community benefit of project
Enclosures:	Appendix 1a Outline Heritage Lottery Fund bid proposals Appendix 1b HLF bid cost plan Appendix 2 Tender comparison for Great

Barn works (**Exempt**)

Appendix 3a Biomass Boiler Lease Heads of Terms (**Exempt**)

Appendix 3b Biomass Energy Comparison

Appendix 4 Conservation Plan Executive Summary (full document available for review)

Appendix 5 Management & Maintenance Plan Headstone Manor and Harrow Museum

Appendix 6a Business Plan Headstone Manor and Harrow Museum (**Exempt**)

Appendix 6b Business plan Income and Expenditure Summary (**Exempt**)

Appendix 7a Activity Plan Headstone Manor and Harrow Museum Part 1 of the Plan

Appendix 7b Activity Plan Headstone Manor and Harrow Museum Part 2 of the Plan

Appendix 8 Collections Management Agreement

Section 1 – Summary and Recommendations

This report sets out future options for Harrow Museum and requests Member approval to proceed with the delivery of the Master Plan for Headstone Manor & Harrow Museum as outlined in the report & approval to explore future potential governance arrangements. This approval to be subject to the outcome of budget consultations and the confirmation of the budget according to the Council's budget setting process

Recommendations:

Cabinet is requested, subject to the results of budget consultations and the confirmation of the budget according to the Council's budget setting process, as outlined in paragraph 2 options c) and d) to:

- 1) Approve the delivery of the works for the Great Barn at Headstone Manor as follows:
 - Approve the award of contracts for works to repair & refurbish the Great Barn as outlined in paragraph 5.1
 - Approve the grant of a Biomass Boiler Lease at Headstone Manor as outlined in paragraph 5.2 in accordance with the Council's general powers to dispose of land under S123 of the 1972 Act and to support the Council's Carbon Reduction Strategy

- 2) Authorise the Corporate Director Community, Health & Wellbeing and the Corporate Director Environment & Enterprise following consultation with the Portfolio Holders for Community, Culture & Resident Engagement and Environment to finalise any contract details for the Great Barn project and to:
 - Conclude and sign the contracts for the provision of works and the granting of the Biomass Boiler lease as outlined in paragraphs 5.2
 - Enter into further discussions with the preferred bidder(s) (Paragraph 5.1) as required to allow for mobilisation and contract start date of 8th Dec (or other specified date)
 - Provide capital financing of £0.907m allocated in the current capital programme to complete the Great Barn project (£0.770m) and for CO2 reduction (£137k), for the delivery of the works and identify a further £49k from the current capital programme as a result of the final tender prices exceeding the original estimate.
- 3) Approve the submission of a Round 2 grant application to the Heritage Lottery Fund (HLF) for £3.6m to deliver the Master Plan for Headstone Manor and Harrow Museum as outlined in paragraph 2.3 and in appendices 4, 5, 6, 7a, 7b and 8 of this report as follows:
 - Commitment for up to 20 years associated with lease and 10 year maintenance agreements at the site as outlined in Appendix 4, the Conservation Plan and Appendix 5 the Management and Maintenance Plan, if the application is successful
 - Commitment of matched-funding capital financing of £0.430m (allocated to Headstone Manor in the current capital programme) and £0.570m S106 contribution allocated to Headstone Manor in relation to the adjacent development of the Kodak Zoom Leisure site, if the application is successful.
 - Commitment to the delivery of the Business Plan (Appendix 6) and the Activity Plan (Appendices 7a and 7b) if the application is successful.
 - Entering into an agreement with Harrow Museum Trust for the preservation and use of the collection (Appendix 8)
 - Acceptance of grant offers from other Trusts and Foundations as outlined in paragraphs 1.2, 2.3 and 4.1c providing matched-funding to the project, if the application is successful.
 - Application is subject to final Planning and Listed Building Consent
- 4) Authorise the Corporate Director Community, Health & Wellbeing following consultation with the Portfolio Holder for Community, Culture & Resident

Engagement to finalise any application details and to:

- Sign the following documents on behalf of the Council for submission as part of the Round 2 application to the Heritage Lottery Fund:
 - a) Appendix 4 Conservation Plan Executive Summary (full document available for review)
 - b) Appendix 5 Management & Maintenance Plan Headstone Manor and Harrow Museum
 - c) Appendix 6 Business Plan Headstone Manor and Harrow Museum
 - d) Appendix 7a Activity Plan Headstone Manor and Harrow Museum Part 1
 - e) Appendix 7b Activity Plan Headstone Manor and Harrow Museum Part 2
 - f) Appendix 8 Collections Management Agreement
 - Submit the HLF Application Round 2 submission in December 2014 for decision by the HLF in March 2015 or at a later date
 - Proceed with delivery of the Master Plan including the tendering of contracts for the capital works contingent upon the award of a Round 2 HLF grant in March 2015 (or at a later date) and other funding awards as outlined in paragraph 8.1.
 - Approve the award of contracts and sign the contracts for the provision of works as outlined within the cost plan in paragraph 8.1
- 5) Authorise The Corporate Director of Community Health & Well-Being in conjunction with the Portfolio Holder for Community & Cultural Services to conduct an options appraisal for alternative governance arrangements and the capacity for development for Arts & Heritage services in Harrow to include Harrow Museum, returning to Cabinet with recommendations early in 2015.

Reason: (For recommendation)

This report outlines the options for the next stage of delivery of the vision for the future of Harrow Museum and Headstone Manor including delivery of refurbishment to the Great Barn, the submission of a Round 2 application to the Heritage Lottery Fund for £3.6m to restore and make publicly accessible all of the Headstone Manor Site and to create a sustainable future for the Museum.

Section 2 – Report

Introductory paragraph

- 1.1 In July 2012, Cabinet approved the vision and Master Plan for the future of Harrow Museum and Headstone Manor and the submission of a Round 1 application to the Heritage Lottery Fund for a development grant towards a Round 2 submission to support the upgrading and refurbishment of the Harrow Museum site. Cabinet also agreed to receive a further report in due course to approve the submission for a Heritage Lottery Fund Round 2 application if Harrow is successful at Round 1.
- 1.2 In March 2013, the Heritage Lottery Fund awarded a Round 1 development grant of £255k to support a further Round 2 application of £3.6m to deliver the Master Plan. The total cost of the delivery of this project is £5.5m which includes match-funding of volunteer and officer time, Council capital of £430k and S106 contributions of £0.570m ring-fenced to Headstone Manor's restoration as well as funds from other funding bodies. Applications have now been made to the other grant-giving bodies for up to £0.780m of additional match-funding, the outcome of which will be known in December 2014.
- 1.3 In addition, Cabinet also approved £0.850m capital funds for the delivery of the first stage of the vision through the refurbishment of the Great Barn. The tender for contracts has completed and this report seeks approval for the award of contract for these works and the installation of a Biomass Boiler to the site to improve heating and reduce utility costs through the Council's Carbon Reduction capital funds. This refurbishment will enable the Barn to become a major functions venue for the site and develop as a commercial opportunity to support the Museum and reduce Council subsidy.
- 1.4 This report explores a number of options for the future of Harrow Museum which include the investment in the Great Barn, the use of HLF funding to develop and maintain the museum as a building of significant historical importance and the exploration of potential alternative governance structures as a way to retain the arts & heritage offer within the borough although potentially no longer subsidised by the Council, in order to meet the challenges of the Medium Term Financial Strategy over the next four years. All options are subject to the outcome of budget consultation and the confirmation of the budget according to the Council's budget setting process.

Options considered

A number of options have been considered for the future of Harrow Museum as follows:

2.1 Do Not Proceed with Delivery of Master Plan

This option considers not delivering the project and the possible closure of the museum depending on the outcome of budget consultations and the budget setting process.

- 2.1(a) Harrow Council have already invested over £1m in works to Headstone Manor and the buildings on site over the past 20 years including new roof works, repairs to the Great Barn and Small Barn (after a fire) etc.
- 2.1(b) HLF have already provided funding of £255k to enable the development of detailed surveys, architectural proposals, detailed designs, Conservation & Management Plans, Activity Plan, and Business Plan. Although this fund is non-refundable to HLF under the terms of the grant, withdrawal at this point would seriously restrict any future funding from this or other sources to the Council and potentially damage Harrow Council's reputation. HLF already have on record Harrow's past record of returning grant funding on non-delivery of a project for Headstone Manor. The funding sector would be unlikely to consider grants for the restoration of this site in the future.
- 2.1(c) Harrow Council has already spent £338k in capital financing on advance works and £40k revenue on the development of this project. These and the above sunk costs would be irrecoverable. Advance works include the refurbishment of the park toilets for use by the Museum site. Without occupancy of the Museum site, it is likely these will fall back into disrepair or be subject to vandalism.
- 2.1(d) Headstone Manor would remain on the English Heritage 'at Risk' register, with unused buildings continuing to deteriorate and amass increasing maintenance obligations. English Heritage has estimated that it could cost capital of approximately £200k to make the buildings weatherproof and secure enough to leave mothballed. However, if the Council chooses not to make this investment, the buildings would deteriorate and be subject to vandalism. The Small Barn has been previously subject to a fire.
- 2.1(e) It is estimated that due to the Historic Building listings of the buildings and the surrounding landscape (Ancient Scheduled Monument), there is little or no value in the buildings or land for sale or development, due to the restrictions such listings would put on any future developer. Currently the properties are valued as Heritage Assets and shown in the Council's accounts at cost. Therefore the Council could remain obliged to maintain the buildings and landscape assets of the site to a level that would prevent further deterioration, at a revenue cost of approximately £45k p.a. If the Council chooses not to make this annual investment then there is a risk of anti-social behaviour and damage to the buildings on site and potentially the surrounding park area. Examples of this include Dollis Hill House in Gladstone Park (Brent).
- 2.1(f) Consideration would have to be given to the future maintenance or relocation of the Harrow Museum collection which is currently in the ownership of the Harrow Museum Trust and under the terms of the existing agreement, under the stewardship of Harrow Council.
- 2.1(g) Harrow Council could suffer reputational damage with residents who

have been fully consulted and engaged on the project and would see heritage assets locked-up and un-used in the knowledge that a grant could have been secured for their restoration.

2.2 Proceed with Great Barn refurbishment only

The Council could choose to proceed with refurbishment of the Great Barn only which would deliver a revenue stream to the Museum but would not deliver any of the remaining project. Points 2.1(a) – 2.1(g) above apply to this option.

In addition, not proceeding with the Master Plan could mean closure of the other buildings on the site as the only means of securing savings to the Council. Although income generated from the Great Barn could go some way to covering revenue costs of the museum, the other buildings would not have the capital repairs they require in order to make them safe and sustainable. This would result in the following additional points:

- 2.2(a) The income generating potential of the Great Barn would not be fully realised as the site as a whole would be much less attractive than one where all buildings and landscape had been restored and where buildings are boarded up or otherwise 'mothballed'. In addition, a resource would need to be retained to operate the booking and operation of the Barn.
- 2.2(b) The capital costs required to 'mothball' the remaining buildings would be required to ensure that the site was secure to ensure functions could operate on site. The cost would be reduced to an estimate of £150k to make the remaining buildings weatherproof and secure enough to leave mothballed.
- 2.2(c) The award of tender for the refurbishment of the Barn would enable the delivery of the commercial aspects. The costs of the tenders received exceed the estimate by £49k due to the national increase in construction costs. Any further delay to contract award beyond December 2014 could see the costs increase further. Completion date assumes that the Barn will be in operation from June 2015. Given that 'high-end' functions book a year or more in advance, it is likely that the Barn will not begin to generate revenue at capacity until June 2016.
- 2.2(d) Paragraph 5 outlines the detail and rationale of the tender exercise carried out for works to the Great Barn with recommendations for award to the preferred supplier. Options for heating the Barn were considered in addition to options for the rest of the site to ensure a cohesive and cost effective solution could be delivered (Appendix 3a and 3b). All financial calculations shown are based on an annual consumption of 750,000 kWh minimum usage. Proceeding only with the Great Barn could jeopardise the total consumption estimates which underpin the financial calculations.
- 2.2(e) Planning consent for the works to the Great Barn have been approved at December 2013 Planning Committee. However, change of usage to enable delivery of functions is contained in the Planning and Listed Building Consent which has been submitted to the December Planning Committee.

2.3 Proceed with the Master Plan for the Site & Museum

The Council could decide to proceed with delivering the Master Plan and vision for the site. This would see the restoration of all buildings and landscape and the addition of a Welcome Centre, situated just outside the site entrance, providing café, shop and heritage display to visitors to the Museum and the park. This option would also see the Great Barn project delivered first through Council capital funding to deliver an enhanced revenue stream to the Museum in order to reduce the Council subsidy.

- 2.3(a) Harrow has already submitted a successful Round 1 application to the Heritage Lottery Fund and significant work has already been undertaken to prepare for submission to Round 2. There is the potential of significant external funding from the Heritage Lottery Fund (£3.6m) and other external funders (£0.780m), to deliver the Master Plan approved by Cabinet in July 2012.
- 2.3(b) Capital funding for the Great Barn project has already been approved through the Council's Capital Programme and additional funds have been identified from the Council's Carbon Reduction programme for the installation of a Biomass Boiler to site.
- 2.3(c) Delivery of the Master Plan offers the opportunity to annually reduce the Council subsidy for Harrow Museum and Headstone Manor Site with the aim of becoming self-financing over a period of 5 years.
- 2.3(d) All four listed buildings on site would be restored and in regular public use, minimising future deterioration and maintenance costs and enabling access to all Harrow residents.
- 2.3(e) The award of tender for the refurbishment of the Barn would enable the delivery of the project (Paragraph 5). The costs of the tenders received exceed the estimate by £49k. Any further delay to contract award could see the costs increase further.
- 2.3(f) Implementation of the Biomass Heating solution as outlined in Paragraph 5 could proceed on current consumption estimates as outlined in Appendix 3a) and 3b)
- 2.3(g) The current Collections Management Agreement with Harrow Museum Trust requires updating and a draft agreement is at Appendix 8. This revised agreement enables Harrow Council to develop and maximise the collection in partnership with the Trust for the future of the Museum.

2.4 Investigate options for alternative governance models

In addition to proceeding with the delivery of the Master Plan, it is possible to investigate what options there are for the future delivery of Arts & Heritage services in the borough (including Harrow Museum) in order to reduce Council subsidy and ensure sustainability and delivery of these services for the residents of Harrow. The exploration of alternative governance arrangements for arts and heritage services in the borough will enable Cabinet to consider options to support the long term sustainability of these services which could include:

- 2.4(a) Ability to generate significant external funding not available (or less

likely) to local authorities such as philanthropic giving including endowments, etc.

2.4(b) Consideration of the reduction in subsidy over a shorter timescale.

3. Current situation

- 3.1 Headstone Manor is a Grade I listed 14th century building on the English Heritage 'At Risk' register. The building is of national heritage significance. The fabric of the building is deteriorating largely as a result of lack of use and with no planned programme of preventative maintenance. It is accessible to the public only on guided tours conducted once a week in summer months. The Small Barn is a Grade II listed 16th century building. It is currently inaccessible to the public due to its poor condition. Access for disabled people is severely limited in all buildings on the site, especially the Manor House. The Great Barn is surrounded by fencing against the risk of falling loose roof tiles
- 3.2 The Harrow Museum Collection which is owned by Harrow Museum Trust (Appendix 8 Collections Management Agreement) is held in storage with no more than 2% of the artefacts on public display at any time due to the lack of formal museum display space. The collection is limited and does not reflect the diverse population of modern Harrow.
- 3.3 The national significance of the buildings, moat and landscape of this site have the potential to create a vibrant heritage destination with a self-sustaining mixed economy enterprise. However, issues such as the condition of the buildings, the heating and the inadequate display facilities currently militate against this. The existing retail and café facilities operated by volunteers contribute a small level of revenue to the site but will not in isolation reduce the subsidy without delivery of the Master Plan. It is possible to generate some revenue in The Great Barn in its current condition but this cannot be maximised as a consequence of quality of the facilities.
- 3.4 The current vision and Master Plan for the site has been developed over the past two years and significant Council and Heritage Lottery Funds have been invested in the delivery of this plan to date. These sunk costs total £255k of HLF grant money and £338k of capital finance on enabling works as well as £40k revenue costs. Applications have been made to other grant-giving bodies for up to £0.780m of additional match-funding, the outcome of which will be known in December 2014. Funding bodies have already indicated support for the scheme although no decisions have yet been confirmed.
- 3.5 £0.907m of capital finance (including Carbon Reduction Fund) has been allocated in 2014-15 to refurbish the Great Barn and bring it into use as a high quality, income generating, function venue, of which £80k has been spent on pre-lims. £376k of capital finance allocated in 2014-15 remains as match-funding for the Heritage Lottery Fund bid, alongside £0.570m of S106 contributions ring-fenced to Headstone Manor restoration.

- 3.6 Schools sessions, family learning, and public events on the site are well attended and recover their direct costs. However they have reached the capacity limitations of the site in its present condition. Volunteers (aged 14 – 90) contribute over 5,000 hours per year to supporting the operation of Headstone Manor & Harrow Museum.
- 3.7 An application for Planning and Listed Building Consent has been submitted to the December Planning Committee for the delivery of the Master Plan. Planning officers and English Heritage have advised on the planning process. Planning consent needs to be in place before the final Heritage Lottery Fund Committee considers the Round 2 application and before works to site can commence. Planning consent is already in place for works to the Great Barn.

4. Recommendation

- 4.1 Therefore after consideration of all of these options, options 2.3 and 2.4 are recommended for Members' consideration. Cabinet is requested, subject to the results of budget consultations and the confirmation of the budget according to the Council's budget setting process, as outlined in paragraph 2.3 and 2.4 to:

- 4.1(a) Approve the delivery of the works for the Great Barn at Headstone Manor as follows:

- Approve the award of contracts for works to repair & refurbish the Great Barn as outlined in paragraph 5.1
- Approve the grant of a Biomass Boiler Lease at Headstone Manor as outlined in paragraph 5.2 in accordance with the Council's general powers to dispose of land under S123 of the 1972 Act and to support the Council's Carbon Reduction Strategy

- 4.1(b) 2) Authorise the Corporate Director Community, Health & Wellbeing and the Corporate Director Environment & Enterprise following consultation with the Portfolio Holders for Community, Culture & Resident Engagement and Environment to finalise any contract details for the Great Barn project and to:

- Conclude and sign the contracts for the provision of works and the granting of the Biomass Boiler as outlined in paragraphs 5.2
- Enter into further discussions with the preferred bidder(s) (Paragraph 5.1) as required to allow for mobilisation and contract start date of 8th Dec (or other specified date)
- Provide capital financing of £0.907m allocated in the current capital programme to complete the Great Barn project and for CO2 reduction, for the delivery of the works and a further £49k from the current capital programme due to final tender prices exceeding the original estimate.

4.1(c) Approve the submission of a Round 2 grant application to the Heritage Lottery Fund (HLF) for £3.6m to deliver the Master Plan for Headstone Manor and Harrow Museum as outlined in paragraph 2.3 and in appendices 4, 5, 6, 7a, 7b and 8 of this report as follows:

- Commitment for up to 20 years associated with lease and 10 year maintenance agreements at the site as outlined in Appendix 4, the Conservation Plan and Appendix 5 the Management and Maintenance Plan, if the application is successful
- Commitment of matched-funding capital financing of £376k (allocated to Headstone Manor in the current capital programme) and £0.570m S106 contribution allocated to Headstone Manor in relation to the adjacent development of the Kodak Zoom Leisure site, if the application is successful.
- Commitment to the delivery of the Business Plan (Appendix 6) and the Activity Plan (Appendices 7a and 7b) if the application is successful.
- Entering into an agreement with Harrow Museum Trust for the preservation and use of the collection (Appendix 8)
- Acceptance of grant offers from other Trusts and Foundations as outlined in paragraphs 1.2, 2.3(a) and 4.1(c) providing matched-funding to the project, if the application is successful.
- Application is subject to final Planning and Listed Building Consent

4.1(d) Authorise the Corporate Director Community, Health & Wellbeing following consultation with the Portfolio Holder for Community, Culture & Resident Engagement and the Director of Finance to finalise any application details and to:

- Sign the following documents on behalf of the Council for submission as part of the Round 2 application to the Heritage Lottery Fund:

Appendix 4 Conservation Plan Executive Summary (full document available for review)

Appendix 5 Management & Maintenance Plan Headstone Manor and Harrow Museum

Appendix 6 Business Plan Headstone Manor and Harrow Museum

Appendix 7a Activity Plan Headstone Manor and Harrow Museum Part 1

Appendix 7b Activity Plan Headstone Manor and Harrow Museum Part 2

Appendix 8 Collections Management Agreement

- Submit the HLF Application Round 2 submission in December 2014 for decision by the HLF in March 2015 or at a later date

- Proceed with delivery of the Master Plan including the tendering of contracts for the capital works contingent upon the award of a Round 2 HLF grant in March 2015 (or at a later date) and other funding awards as outlined in paragraph 8.1.
- Approve the award of contracts and sign the contracts for the provision of works as outlined within the cost plan in paragraph 8.1

4.1 e) Authorise The Corporate Director of Community Health & Well-Being in conjunction with the Portfolio Holder for Community & Cultural Services to conduct an options appraisal for alternative governance arrangements for Arts & Heritage services in Harrow to include Harrow Museum, returning to Cabinet with recommendations early in 2015.

5. Award of contract for Great Barn works and Biomass Boiler heating

5.1 Works to the Great Barn: award of tender

5.1(a) The total value of works to the Great Barn was originally estimated at £0.850m including all professional fees plus £137k from the Carbon Reduction capital funding to supply a suitable energy efficient heating solution. Funding was approved through the Council's capital financing scheme. To date, £80k has been spent on pre-lims and enabling works. Planning consent for the works to the Grade 2 listed Great Barn was achieved in December 2013.

5.1(b) A tendering process for the delivery of construction works for the Great Barn was conducted in April 2014 but this only received one tender response. A re-tender was carried out in June 2014. The ITT was advertised and made available 13/06/2014 with a closing date 11/07/2014. The tender was conducted through the Council's e-procurement processes. Three responses to the ITT were received and evaluated by the team comprising of the Heritage Manager (Harrow Council) and the cost consultant and conservation architect engaged for the project. All 3 suppliers passed the qualification stage of the ITT and their technical and commercial bids were evaluated using the evaluation model below:

Evaluation criteria	Weighting
Quality / Technical	60%
Understanding Project Requirements	15%
Approach and Methodology	40%
Balance and capabilities of the team	15%
Construction & Delivery	10%
On-Time & On-budget	15%
Sustainability	5%
PRICE	40%
Specification document submission.	100%

5.1(c) The original start date was advertised as 1st October 2014 but will now be January 2015. All bidders confirmed that the change of date will not affect their ability to mobilise the contract and their pricing will remain the same as per their tender submission. Tender submissions were scored using a 0-3 scoring methodology and the appropriate weighting was applied to the individual scores. The final scores and rankings are shown below:

Quality/Technical	100%	Contractor A	Contractor B	Contractor C
Understanding Project Requirements	15%	5.83%	5.83%	8.33%
Approach and Methodology	40%	23.11%	14.22%	14.22%
Balance and capabilities of the team	15%	5.42%	7.50%	5.83%
Construction & Delivery	10%	4.00%	3.33%	4.89%
On-Time & On-budget	15%	6.67%	7.50%	6.67%
Sustainability	5%	2.50%	3.33%	2.50%
Total		47.53%	41.72%	42.44%

Price	100	3	2.69	1.97
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Quality Points	60	28.52	25.03	25.47
Commercial Points	40	40	35.87	26.27
Total Points		68.52	60.90	51.74

Supplier	Overall ranking	Overall Score (Points)	Total Tender Sum
Contractor A	1	68.52	£955,075.10
Contractor B	2	60.9	£1,064,664.41
Contractor C	3	51.74	£1,457,915.76

5.1(d) On this basis we would recommend that Contractor A is awarded the contract. Appendix 2 (Part 2) gives the detail and rationale for award to the preferred supplier. The final tender costs exceed the estimate by £49k and Members are asked to approve this additional cost and fund through the Council's capital programme.

5.2 Heating solution

i) The current heating solution (electricity) of all buildings on the site is very inefficient and costly to operate. It is increasingly difficult to replace parts for the heating system due to its age. Options for heating the Barn were considered in addition to options for the rest of the site to ensure a cohesive and cost effective solution could be delivered. This included consideration of Gas, Electrical and Biomass heating solutions for the whole site (Appendix 3a and 3b). All financial calculations shown below are based on an annual consumption of 750,000 kWh minimum usage:

Option 1: Gas boiler neighbourhood heating system

- Capital cost: £101k
- Revenue cost of heating: £60k (8p / kWh)
- CO2 emissions: 211 g/kWh
- This option enables all buildings on site to be heated from the same energy efficient system.

Option 2: Electrical heating replaced in Great Barn

- Capital cost: £42k
- Revenue cost of heating: £90k p.a. (12p/kWh)
- CO2 emissions: 433 g/kWh
- This option would only provide heating for the Great Barn

Option 3: Biomass Boiler neighbourhood heating system

- Capital cost: £0 (the £97,511 cost of the boiler is covered by the company to whom the lease is granted. The energy company will recover the capital cost from the Government's RHI grant scheme).
- Revenue cost of heating: £ 32,925 p.a. (0.0439p / kWh). The Council will be liable to purchase fuel solely from the energy company.
- CO2 emissions: 52 g/kWh
- This option enables all buildings on site to be heated from the same energy efficient system.

ii) Option 3 (The Biomass solution) offers the greatest reduction in annual costs and also supports delivery of the Climate Change Strategy and the target of 4% year on year reduction in CO2. The Biomass boiler would be achieved through granting a lease to the nominated supplier (Appendix 3a Part 2) for the installation of a bio-mass boiler. The installation is funded by the supplier through the government RHI scheme grant which covers the capital cost of £97,511. Under this agreement, Harrow leases the unused land to the supplier for 21 years (life of the boiler) at peppercorn rent to install the boiler. In return Harrow will use the heat generated from the boiler at the Headstone Manor site. The Council will be required to guarantee a certain amount of consumption and pay for the fuel. The ownership rights are reserved by the company but Harrow will be responsible for operation, repairs and maintenance of the boiler (all associated costs are outlined within the Business Plan Appendix 6). At the end of the term, the tenant may offer to sell the Boiler to Harrow for £1.

6. Implications of the Recommendation

Considerations

6.1 Resources, costs

A successful HLF application would secure £3.6m, and trigger up to £0.780m of external funding from other sources. This project will: conserve and repair the historic fabric of Headstone Manor and the Small Barn and bring them into

sustainable use as a public museum; create a dedicated learning centre in the Granary; add a new café and shop to generate further income; and fund fixed-term posts dedicated to developing audiences for the museum. If the Master Plan is delivered and when all the works are completed it will be necessary to have property valuations carried out

Submission of the HLF Round 2 application has the following implications:

- i) £338k Council capital (approved as part of the 2014/15 capital programme) and £0.570m S106 contribution (agreed through the Kodak Zoom Leisure development) must be committed as match-funding.
- ii) Commitment to the 10 year Management & Maintenance Plan (Appendix 5) as a requirement of receiving Heritage Lottery Round 2 funding.
- iii) Provision of the current Council subsidy of the Museum Service at £150k p.a. reducing to £61k pa at the end of 2019-20 when all new income streams will be established (Appendix 6 Business Plan). These costs include enhanced maintenance costs associated with the Round 2 application. The Business Plan assumes continued direct Council operation and alternative governance models may result in Council subsidy reducing sooner.
- iv) Commitment to the 10 Year Collections Management Agreement with Harrow Museum Trust, requiring the provision of storage, care & conservation, and insurance the cost of which is included in the revenue figures above with an option to renew for a further 15 years..
- v) Granting a lease for the installation of a bio-mass boiler. The Council will be required to guarantee a certain amount of consumption and pay for the fuel (assumed within the business plan). Proceeding only with the Great Barn could jeopardise the total consumption estimates which underpin the calculations. There may be specific VAT implications which would be associated with these arrangements which may have an impact on our partial exemption calculations. This will necessitate further investigation to ascertain the impacts for the Council.
- vi) Granting a Biomass Lease also provides that if the Biomass Lease is terminated early in certain circumstances then there is a potential contingent liability for Harrow to pay the supplier (“the Tenant”) a maximum of £0.820m if the Biomass Lease is terminated early in the first 6 years of the term to a minimum of £28k for the equipment if the Biomass Lease is terminated in the last 2 years of the lease.

6.2 Staffing/workforce

Staff will be consulted on potential governance arrangements as part of the options appraisal. Existing staff will be trained in the safe operation of fuelling the boiler. In addition, the creation of 2 FTE 3 year fixed-term roles have been included the project to be funded through the HLF Round 2 application.

6.3 Performance Issues

The Activity Plan for the project assumes an increase in visits to Headstone Manor to 50,000 p.a. from 2017-18, including 5,000 Primary school visits. Volunteering at Headstone Manor will be expanded to a wider range of people, with hours contributed doubling to at least 10,000 p.a.

6.4 Community safety

Improvements to alarm systems, heating, lighting, landscape, and car parking will improve safety for staff and public. The timber buildings would be heated by hot water, not electricity, reducing fire risk for staff and public.

6.5 Environmental Implications

The recommendation to grant the Bio-mass lease will result in a reduction in CO2 emissions from:

433 g/kWh p.a. based on electrical heating, to:

52 g/kWh p.a. based on biomass heating.

Biomass heating will enable the year on year reduction of carbon emissions of 4% as set down in the Climate Change Strategy.

6.6 Risk Management Implications

A risk register is in place for the delivery of the overall scheme at Headstone Manor. This is monitored through the Council's project management process and monthly at Project Board meetings.

7. Legal Implications

7.1 Section 123 of the Local Government Act 1972 ("1972 Act") states that a council has power to dispose of land at not less than best consideration but short tenancies do not have to be disposed of for best consideration. A short tenancy is defined as being one that does not exceed a term of 7 years.

7.2 The proposed biomass lease will be for a term of 20 years and therefore the Council will have to show that it was for best consideration. In order to show that the Biomass lease was for best consideration, the Council will have to show that it obtained a number of quotes for alternative heating arrangements at the Museum and obtained proper advice as to what was the best consideration.

7.3 The Council will be liable to purchase fuel solely from the energy company. There is a potential maximum contingent liability of £0.820m with a reducing scale over the lifetime of the boiler contract.

7.4 Free Biomass Solutions Limited will have to register the lease at the land registry as it is for more than 7 years. The land registry will require written

consent from the Heritage Lottery Fund to confirm that it has consented to the Biomass Lease before it will register the Biomass Lease. Officers have confirmed that the consent from the Heritage Lottery Fund will be forthcoming.

7.5 A site constraints report has been produced for this site.

8. Financial Implications

8.1 The original capital allocation for the Museum totalled £0.550m, which together with the HLF grant funding for project costs of £164k (received to date) resulted in funding of £0.714m available. Of this amount, £338k has been spent and includes advance works in the region of £100k in relation to the granary and the toilet blocks. This leaves £376k available towards Round 2 within the 2014/15 capital programme.

The total cost of delivering the Master Plan for Harrow Museum is shown in the following table.:

		£	
Round 1 costs		293,100	
Round 2 Costs	5,479,655		
Less volunteer time	<u>-384,000</u>	5,095,655	
	Total Cost	<u>5,388,755</u>	
 Funded by			
HLF grant [project costs]		255,300	
HLF max bid [round 2]		3,600,000	
S106 Monies		570,000	
Capital Programme		376,000	
<u>Other grants</u>			
Wolfson Foundation	300,000		
John Lyons	250,000		
Garfield Western	<u>230,000</u>	780,000	Not yet confirmed
	Total Funding	<u>5,581,300</u>	

8.2 The original capital allocation for the Great Barn totalled £0.850m. Of this amount approximately £80k has been spent (largely on architects fees), leaving £0.770m available in the 2014/15 capital programme. This together with the £137k capital available towards CO2 reduction, provides £0.907m towards the tender price of £0.955m – a shortfall of £49k which Members are asked to approve and to be funded within the corporate capital programme.

The current subsidy on the site is in the region of £150k pa. The draft budget 2015-16 reported elsewhere on this agenda proposes a reduction in the subsidy across the arts and heritage service, and may contribute to the early reduction of the subsidy at the site.

Given the financial challenges faced by the Council and the need to deliver

savings of £75m over the next four years, it is expected that any proposals would need to eliminate this subsidy. Whilst these proposals enable the development of a commercial opportunity and the maintenance of a historical site, the latest business plan indicates a reduction (including the need for ongoing from fund raising), rather than elimination, of the subsidy

8.3 The financial implications associated with these proposals are significant and complex, covering both revenue and capital funding streams, a requirement to enter into long term financial commitments associated with the supply of energy and maintenance agreements (HLF requirement) and the need to attract external funding from a number of grant-giving bodies to minimise the costs borne by the Council.

8.4 Overachievement of external funding from other sources could enable enhancements to the project that have been removed to keep costs within the identified financial envelope or a reduction in the Council capital contribution, subject to the approval of external funders.

8.5 The proposed business plan is based on a wide range of assumptions,. Whilst these are considered reasonable following comparator research including those for historic sites, it will take time to build and achieve these levels of income. This does mean that the current council subsidy of £150k is unlikely to be reduced much before 2018/19 (see Appendix 6) and will require a fairly significant level of fundraising should there be a requirement to break even. For the purposes of income generation, and based on the schedule of works timetable, it is assumed that the Great Barn will be available for functions from June 2015, any delay in this timetable runs the risk of increasing the costs and reducing the income which can potentially be achieved.

8.6 Costs incurred in previous years cannot be recovered if the decision is taken not to proceed with the delivery of the master plan. If a decision were taken to close the site, the Council subsidy would not be fully saved given that it would be necessary to incur expenditure in keeping the site safe and secure.

8.7 The exploration of alternative governance options could potentially reduce the subsidy sooner through the reduction in direct contracts costs once managed outside of the Council and increased access to sponsorship, donations, endowments and charitable funding. The investment by the Council in the Great Barn is expected to make this option more attractive for alternative governance arrangements, however this would require further detailed work to identify what this might mean in practice both in financial and non-financial terms.

8.8 In addition, there may be specific VAT implications associated with the lease of the Biomass boiler which may impact the Council's partial exemption calculations. This will necessitate the need for specialist advice to ascertain any financial implications for the Council.

8.9 Granting a Biomass Lease also provides that if the Biomass Lease is terminated early in certain circumstances then there is a potential contingent liability for Harrow to pay the supplier ("the Tenant") a maximum of £0.820m if

the Biomass Lease is terminated early in the first 6 years of the term to a minimum of £28k for the equipment if the Biomass Lease is terminated in the last 2 years of the lease.

Equalities implications / Public Sector Equality Duty

The Equalities Impact for these recommendations is assessed as Positive due to improved physical/ sensory/ intellectual access, lighting & heating to all of the buildings and the wider site.

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

- Making a difference for communities

Investment in securing a sustainable future for this treasured community resource, maintaining access to unique heritage for local people.

Section 3 - Statutory Officer Clearance

Name: Donna Edwards	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 28 November 2014		
Name: Ian Goldsmith	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 28 November 2014		

Ward Councillors notified:	YES
EqIA carried out:	YES
EqIA cleared by:	Carol Yarde (Chair of the Directorate EqIA task group)

Section 4 - Contact Details and Background Papers

Contact: Marianne Locke, Divisional Director Community and Culture

Tel: 020 8736 6530 marianne.locke@harrow.gov.uk

Background Papers:

Cabinet Report January 2012: Future of Cultural Services in Harrow

<http://moderngov:8080/documents/s95023/Future%20of%20Cultural%20Services%20-%20cover%20report.pdf>

Cabinet Report July 2012: Harrow Museum Heritage Lottery Fund Round 1 Application

<http://moderngov:8080/documents/s99423/Harrow%20Museum.pdf>

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]