

To: Communities Policy Overview Committee – 13th January 2009
From: Mike Hill, Cabinet Member and Amanda Honey, Managing Director
Subject: **Turner Contemporary Update**
Classification: Unrestricted

Summary To update members of the committee of the latest position regarding the construction of the gallery, the latest plans for the revenue running costs and funding of the operation of the gallery, and regeneration impact of the Turner gallery and Rendezvous site.

Recommendations Members of the POC are asked to note the latest developments on the Turner Contemporary project

FOR INFORMATION AND COMMENT

1. Introduction

1.1 This is the first of what will become regular formal update reports to this Committee on progress on the Turner Contemporary Gallery in Margate.

2. Background

2.1 The desire to create a gallery in Margate to celebrate JMW Turner's links with the area was inspired, in part, by the need to provide additional cultural infrastructure within Kent but more importantly to stimulate the regeneration of Margate and East Kent.

2.2 The original plans for the gallery were discontinued in February 2006 when costs increased well beyond the funds approved or available. At the time of this cancellation assurances were made that an alternative affordable scheme would be put together which would deliver similar regeneration and cultural benefits as those envisaged from the original scheme.

2.3 In July 2006 KCC appointed the internationally renowned David Chipperfield Architects (DCA) Ltd to develop a new design for the gallery on the Rendezvous site. DCA delivered the outcome of their feasibility study in December 2006 which led to the inclusion of a £17.4m project in the capital programme approved in 2007/08 for the design, construction and fitting out of the new gallery.

2.4 Throughout 2007 DCA completed the outline design (RIBA stage C) and detail design (RIBA stage D). The detail design report was issued in November 2007 which settled on the two storey building organised into 6 uniform blocks with a glass façade. The overall floor area of the design was 2,732m². The technical design

(RIBA stage E) was completed in February 2008 when planning permission was also granted by Thanet District Council.

- 2.5 It was agreed to tender for the construction contract under a single stage process where a number of contractors would be approached with the aim of producing a short list from which the final contractor would be chosen. Following a comprehensive evaluation of submissions from 5 contractors it was agreed in October 2008 to award the construction contract to R Durtnell & Sons for a tender sum of £13.36m. This sum can be accommodated within the overall £17.4m budget for the design, construction and fitting out of the gallery building.
- 2.6 We have successfully applied for £4.1m of capital funding from Arts Council England (ACE) and £4m from the South East England Development Agency (SEEDA). We are also planning to raise £2.9m through the Turner Contemporary Arts Trust (TCAT) and the remaining £6.4m necessary to fund the capital project will be provided from KCC capital programme.
- 2.7 The chair and trustees for the Turner Contemporary trust have been appointed. It is planned that when the gallery is complete KCC will lease the building and enter into a service agreement for the running of the gallery with this trust, and staff would transfer to the trust's employment.

3. Gallery Construction

- 3.1 A groundbreaking event took place on 25th November 2008 to mark the formal start of construction. The contract with R. Durtnell and Sons Ltd has been signed and the company has taken control of the site and has started its preliminary work. The work will be completed by summer 2010 when the Turner Contemporary team will be able to take over the building. This will be followed by a period of commissioning and testing of the plant and equipment, and making all the practical arrangements for arranging exhibitions. As a consequence we are planning the formal opening of the gallery for spring 2011.
- 3.2 Throughout construction we are planning to keep a visual record of progress and we will make arrangements for KCC members/officers and other partners/stakeholders to be able to make regular site visits to review progress.
- 3.3 Compulsory Purchase Orders have been issued on some small parcels of land released by the de-dualling of Fort Hill. The dualling of Fort Hill was carried out in the 1930s and the majority of the land was formally highway or was acquired at the time by Margate Town Council. The de-dualling of Fort Hill has been undertaken to make the seafront more pedestrian friendly, to reduce traffic speed and the dominance of the road. This work will make the whole Rendezvous site more accessible and link it more closely with the Old Town.

4. Gallery Operation, Running Costs and Revenue Funding

- 4.1 As set out in the background section KCC intends to lease the gallery building to the Turner Contemporary trust and enter into a service agreement for the operation of the gallery. Transferring the operation to a charitable trust was an essential component of securing capital funds from ACE and SEEDA, and is important in securing on-going revenue support from ACE and through sponsorship and donations. The lease of the building has to be for a peppercorn in order to ensure that the capital construction costs are not taken into account in determining KCC's partial exemption on VAT on business activities as it is essential KCC receives no consideration for granting the lease.
- 4.2 The lease will govern the use of the building and the service agreement the operational relationship between KCC and the trust without compromising the independence of the trust. Together these two documents will be vital in ensuring KCC can meet its aims and objectives for regeneration stimulation and cultural enhancement. They will be agreed as key cabinet member decisions and will be reported to this POC at the appropriate juncture.
- 4.3 Under the lease and service agreement KCC will have residual responsibilities for the structural maintenance and insurance of the gallery building, KCC will also need to maintain the Rendezvous site surrounding the building and monitor the trust's compliance with the lease and service agreements. There will also be the revenue cost for any contribution KCC agrees to make towards Turner Contemporary trust's running costs under the service agreement. We have estimated that KCC's ongoing revenue costs in relation to staff time and maintenance will be £100k and the revenue contribution to the trust will be £1.1m. We have already made provision in the MTP for an additional £400k to supplement the existing £800k Turner Contemporary revenue budget.
- 4.4 We have developed a draft business plan for the operation of the gallery to support the capital funding applications to ACE and SEEDA. The draft business plan incorporates operations prior to the opening of the Turner Contemporary Gallery building (including events and exhibitions run out of the project space in the former Marks and Spencer building on the High Street, Droit House and the Turner Contemporary offices on The Parade) and after the new gallery is open. A summary of the financial plan submitted to ACE and SEEDA is attached as appendix 1.
- 4.5 The business plan is constantly evolving and will need to be updated periodically to take account of changed circumstances and agreements reached with the Turner Contemporary trust. In particular decisions about the future staffing structures, TUPE transfer of existing staff, recruitment of new staff and their terms and conditions/pension benefits could result in changes to the plan. These changes will have to be agreed by ACE and SEEDA as well KCC and the Turner Contemporary trust. The business plan will be supported by a transitional plan setting the timescales for the transfer of responsibility to the Turner Contemporary trust.
- 4.6 As part of the ACE and SEEDA funding agreements KCC has pledged to following significant clauses:

- i. That the building will be used as an art gallery for the duration of the agreements (30 years)¹
- ii. To secure ACE and SEEDA capital funding, to make a contribution of £6.4m towards capital costs and to underwrite any overspends on the capital project or shortfall in TCAT fundraising
- iii. To direct the income identified in the business plan from the commercial development of the remainder of the Rendezvous site towards the operation of the gallery, and for a period of 10 years to underwrite any shortfalls in this income
- iv. To set aside £1m contingency to support the operation of the gallery to cover variations from the agreed business plan over first 10 years of operation

4.7 It remains our long-term aspiration that the Turner Contemporary trust will be able to run the gallery with decreasing revenue support from KCC.

5. Regeneration Impact

5.1 We have estimated that the gallery will attract 156,000 visitors in its first year of operation (this includes the effect of initial surge in interest for a new attraction). Thereafter we anticipate attendances to drop to around 130,000 with a small annual increase. We estimate 79% of visitors will be new visitors from outside the area spending around £1.7m in the local economy during their visit.

5.2 In addition to visitor spending in the local economy we are also expecting the Turner Contemporary Gallery to directly create or safeguard a number of jobs. Within the gallery itself we are planning 28FTE jobs employed directly by the trust. In addition new posts will be needed in ancillary functions to the gallery such as cleaning, catering, security etc., taking the total number of jobs directly attributable to Turner Contemporary to 35FTE.

5.3 In addition to the 35FTE direct posts there will also be additional jobs created or safeguarded due to the spending by visitors and Turner Contemporary trust in the local economy. We estimate this could amount to another 58 jobs. Turner Contemporary will also help generate training and business support which could contribute another 18 jobs.

5.4 These regeneration estimates do not include the additional employment during construction or the additional jobs directly arising from the development of the remainder of the Rendezvous site. The long term aspiration remains that Turner Contemporary itself will contribute some economic regeneration but its bigger impact would be to act as a stimulus to the local economy.

6. Parking

6.1 It is important to ensure that there is sufficient parking for the Turner Contemporary Gallery once built. The Parking Access and Movement

¹ In the case of SEEDA agreement this has been further clarified that the gallery will be kept open and operated as set out in the approved business plan for at least 10 years

Strategy is led by the Margate Renewal Partnership and is under constant review. A recent comprehensive survey of both on-street and off-street car parking in Margate, both in low and high season, found that there is a significant amount of parking that is not currently utilised and that the existing capacity can more than compensate for the loss of the parking spaces on the Rendezvous site.

- 6.2 The study did identify that there is a need to improve the signage to the parking, the quality of parking spaces available and the pedestrian links between the car parks and key town sites. An action plan is in place to deliver these improvements in advance of Turner Contemporary opening.

7 Recommendations

- 7.1 Members of the POC are asked to note the latest developments on the Turner Contemporary project.

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Appendix 1 – Draft Revenue Financial Plan for Turner Contemporary

| | 2009- 2010 £000s | 2010- 2011 £000s | 2011- 2012 £000s | 2012- 2013 £000s | 2013- 2014 £000s | 2014- 2015 £000s |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Expenditure | | | | | | |
| Staff | | | | | | |
| Total Permanent | 573 | 572 | 732 | 730 | 730 | 730 |
| Casual Staff | 49 | 40 | 111 | 111 | 111 | 111 |
| Total Staff | 622 | 612 | 843 | 841 | 841 | 841 |
| Marketing | 15 | 57 | 117 | 174 | 179 | 178 |
| Arts Programme | 150 | 273 | 417 | 624 | 604 | 647 |
| Education | 11 | 6 | 73 | 73 | 73 | 73 |
| Training | 6 | 10 | 20 | 20 | 20 | 20 |
| Premises | 99 | 178 | 299 | 299 | 299 | 299 |
| Overheads | 116 | 135 | 135 | 135 | 135 | 135 |
| Launch Costs | | 175 | 30 | 0 | 0 | 0 |
| Irrecoverable VAT | | 125 | 139 | 167 | 164 | 171 |
| Total | 1,019 | 1,571 | 2,073 | 2,333 | 2,315 | 2,364 |
| Income | | | | | | |
| KCC | 819 | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 |
| ACE | 200 | 500 | 500 | 500 | 500 | 500 |
| Rendezvous Levy | | 0 | 200 | 295 | 295 | 295 |
| Earned Income | | 3 | 184 | 193 | 200 | 208 |
| Contributions to Educational Activities | | 50 | 125 | 125 | 125 | 125 |
| Sponsorship and Donations | | 51 | 114 | 163 | 163 | 213 |
| | 1,019 | 1,704 | 2,223 | 2,376 | 2,383 | 2,442 |
| Surplus/(Deficit) | 0 | 133 | 150 | 43 | 68 | 78 |
| Reserve Contingency | 0 | 133 | 283 | 326 | 394 | 472 |