
**DISPOSAL OF ARTS CENTRE VANE TERRACE PREMISES AND
FUTURE OPTIONS FOR ARTS PREMISES**

Responsible Cabinet Member - Councillor Bill Dixon, Leader

Responsible Director - Ada Burns, Chief Executive

SUMMARY REPORT

Purpose of the Report

1. The purpose of this report is:
 - (a) To present to Cabinet bids and an expression of interest received in response to the marketing of the Arts Centre Vane Terrace premises.
 - (b) To report the outcome of the bid for Arts Council England Capital Funding for a new arts centre in the town centre.
 - (c) To consider the options arising and recommend a way forward in relation to future arts and cultural premises in Darlington.

Summary

2. As a result of the marketing exercise, a number of bids have been received for the site/buildings of the existing Arts Centre at Vane Terrace, though not all have sufficient detail to allow full planning assessments to be made of the realism of the bids.
3. As a result of the publicity around the closure of the Arts Centre and the marketing of the building, potential investors approached the Council with a proposition to use the building for a collection of cultural- and enterprise-related uses, known as 'Project Vane'. This is potentially an exciting proposition, meeting both Cultural and Economic Strategy objectives for Darlington and the wider region. However, more work needs to be done by the proposers before it is known whether the proposal is viable and deliverable.
4. The Council's bid, in association with Theatre Hullabaloo, to the Arts Council England for funding towards a new arts centre in the town centre has not been successful in this funding round. The level of competition for the funding nationally was substantial. However, the Arts Council has been encouraging to the Council to work further with them on pursuing a new bid either for a town centre arts centre incorporating the children and young people's specialism and/or in relation to Project Vane. The bid was dependent on sale of the existing premises for match funding.

5. In these circumstances, it would be appropriate to give a period of time in which Council officers can support the proposers of Project Vane in further due diligence work to see whether this project can be delivered.
6. A further report would be brought back to Cabinet either with the detailed terms for Project Vane or if it was felt that a new bid for funding should be made for a new town centre venue.
7. In the interim, following the decision to close the Arts Centre, the building now needs to be declared surplus to operational requirements and following its physical closure at the end of July, responsibility transferred to Resources Group.
8. A budget provision of £60k will be required to cover holding costs while Project Vane is being explored.

Recommendation

9. It is recommended that Cabinet:-
 - (a) Asks Officers to work with the proposers of Project Vane for approximately 6 months to see whether a viable proposal can be put together and report back to Cabinet.
 - (b) Note that this would involve the building being leased or sold with no receipt.
 - (c) Defers consideration of the bids received for the Arts Centre Vane Terrace premises until the completion of that work.
 - (d) Authorises the Director of Place, in liaison with the Cabinet Members for Economy, and Leisure and Local Environment to express support for any bids for external funding appropriate to the pursuance of Project Vane.
 - (e) Requests a report back at an appropriate stage on whether to re-submit a bid to the Arts Council England for a new arts centre in the town centre.
 - (f) Authorises the Director of Resources to arrange for any temporary lease of the Vane Terrace building for up to 1 year after the Arts Centre is closed.
 - (g) Declare the Arts Centre surplus to operational requirements and approve the transfer of responsibility to Resources Group following physical closure of the building.
 - (h) Agree to allocate £60k in the MTFP to cover holding costs whilst Project Vane is being explored.

Reasons

10. The recommendations are supported by the following reasons :-
- (a) To allow time to see whether the potential benefits of Project Vane can be achieved.
 - (b) The benefits of Project Vane would be substantial in relation to One Darlington: Perfectly Placed, in relation to Creative Darlington: Investing in a Creative Community, and in relation to Economic Strategy.

Richard Alty, Director of Place

Background Papers

None

Richard Alty : Extension 2946
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S17 Crime and Disorder	No impact.
Health and Well Being	No impact.
Carbon Impact	No impact.
Diversity	No specific diversity.
Wards Affected	The Arts Centre is in College Ward.
Groups Affected	All groups.
Budget and Policy Framework	There will be an impact of £60k on the MTFP.
Key Decision	Yes.
Urgent Decision	No.
One Darlington: Perfectly Placed	Pursuing Project Vane would contribute to the perfectly Placed priority.
Efficiency	None identified at this stage.

MAIN REPORT

Context: Creative Darlington Vision and Emerging Economic Strategy

11. Members will recall that an ‘enquiry group process’ delivered with the backing of Darlington Partnership and independently chaired by John Orchard from Marchday, produced a strategic vision for the arts ‘*Creative Darlington: Investing in a Creative Community*’.
12. Recognising the contribution the Arts can make to One Darlington: Perfectly Placed, the Creative Darlington vision, which was endorsed by Cabinet in November 2011, is that:

Darlington will be a place where art happens, where the arts matter and where the arts and creativity are central to Darlington’s future identity and economic success.

13. The Vision looks to create, over time, for a range of different art forms and audiences, a 'virtuous circle' or 'cycle of development', which will:
 - (a) INSPIRE people to engage with and enjoy the arts, whether as participants in creative activity or as audience.
 - (b) GROW and retain audiences, talent, enthusiasm, creativity and production in Darlington.
 - (c) CELEBRATE together through high quality arts activities.
 - (d) ACHIEVE excellence and specialist practice for which Darlington is recognised and respected, and which helps to attract further interest and investment in inspiring, growing and celebrating the arts.
14. The vision identifies two particular strengths to build on initially, reflecting the importance of both inclusion and excellence:
 - (a) Encouraging a BROAD AND DIVERSE ARTS OFFER, responding inclusively to the wide-ranging interests and needs across the borough.
 - (b) Reinforcing the SPECIALIST PRACTICE in Children and Young People's Arts, with emphasis on the performing arts; this specialism will be a beacon, as it is now, attracting national recognition to the arts in Darlington.
15. To support the Creative Darlington vision sets out the requirement for:
 - (a) an 'Arts Hub', a single venue or closely co-located facilities.
 - (b) a dedicated children and young people's theatre
 - (c) a strategic arts function, delivered through a partnership involving the Council, business and the arts community.
16. The unprecedented budget pressures on the Borough Council mean that responsibility for creating a thriving cultural life can no longer be viewed as a Council task, rather it must be a shared partnership activity involving the business, arts, public and voluntary sectors. Following the recommendations of the enquiry group, encapsulated in the Creative Darlington vision, Council Officers have facilitated the setting up of a Creative Darlington Board working under the auspices of Darlington Partnership. It is this Board, with members drawn from business, academia, arts organisations and from the Council that will be responsible for delivery of the Creative Darlington vision.
17. As recognised in the Creative Darlington Vision, the arts and the quality of cultural life bring important economic benefits to Darlington, through encouraging visitors and people choosing to live in the borough. Without significant amounts of public money to invest in supporting the arts it is vital that the Council does all it can to encourage investment in the arts and in arts facilities from a range of partners, for example the proposed investment at the Vane Terrace site or investment in new 'fit for purpose' venue in the town centre.

18. Emerging work on a new Economic Strategy for Darlington is identifying several themes which are relevant to decisions about the Vane Terrace building and future arts provision, including:
 - (a) In the same way as the last two Economic Strategies ('Darlington Gateway' and 'Taking Forward Darlington Gateway') current work is recognising that quality of life (in its broadest sense) in Darlington is one of the factors which make Darlington an attractive place both for business location and for attracting and retaining a skilled workforce. The quality of the cultural life in the Borough is, with other factors, important in this.
 - (b) Darlington has a relatively high rate of new business start-ups compared to the rest of the region (although not compared to the national picture) but the continuation rate is not as good as some other places. As well as focussing business support, there is also value therefore in creating business premises which have the conditions and support for business start-ups to thrive.
 - (c) There is potential for further growth in Darlington of 'digital' businesses, building on the good work of Digital City, particularly. Whilst the Central Park Enterprise Zone, near to Teesside University and Darlington College, is the prime opportunity for such accommodation, there is always value in allowing businesses a range and choice of accommodation.
 - (d) There continues to be a need to raise the profile of Darlington to investors and businesses nationally and internationally. Many businesses feel that the benefits of being in Darlington and the good things happening here are not widely known.

New Town Centre Arts Venue Proposal

19. In December 2011 the Council submitted a funding bid to the Arts Council for £3million in capital funding toward the costs of a new 'fit for purpose' arts venue, located within the town centre area. The plans detailed within the bid were to develop an arts venue that built to modern standards in terms of energy use, and through income from rental and catering would require significantly lower levels of subsidy. The proposal was to provide performance space including a dedicated children and young peoples' theatre, meeting rooms, office space, reception and café.
20. The total cost of the scheme was estimated to be £5million, including the value of the land which would be 'gifted' from the Council's existing land portfolio. In late March the Council learnt the bid to the Arts Council had not been successful.
21. The Arts Council have, however, reaffirmed their commitment to working with the Council in developing a potential new bid for the next round of Arts Council funding as well as exploring proposals which are currently being considered following the marketing of the current Arts Centre site, Vane Terrace, Darlington.

22. To re-bid, and be confident that we are submitting a strong funding application Officers will need to reflect on, and react to feedback from the Arts Council, and continue to work with partners (particularly Theatre Hullabaloo, the national portfolio organisation) on developing a new proposal and business case. Areas the Arts Council have suggested needed more work were on the risk around using the capital receipt for match funding and the income targets with ongoing reliance on subsidy.

Closure of Arts Centre

23. Cabinet decided, at its meeting on 22 February 2012, to close the Arts Centre in July 2012 (subject to the subsequent decision at full Council on 1 March). Work is now well advanced on the closure, through staff consultations on redundancies, in helping users and tenants find alternative homes, and in making practical arrangements in relation to the building.
24. Security of the building following closure is a primary concern and although the building will remain fully alarmed there may be a need to introduce additional security measures including mobile patrols and/or security personnel on site, particularly if a short term tenant for the building cannot be found. It is suggested that boarding up is adopted as a last resort mainly because of the cost but also of the derelict appearance it would portray. Security costs have been factored into the budget figure of £40k assumed for holding costs while Project Vane is explored, plus £20k if boarding up is required. If boarding up were required, opportunities for artistic involvement in this would be explored. If a short term tenant is forthcoming then all the holding costs may not be required.
25. Following the decision to close the building, it needs to be declared surplus to operational requirements and after the physical closure of the building in July, responsibility for the building be transferred from Services for Place to Resources Group.
26. A budget to cover the interim holding costs while Project Vane is explored is also required. Based on current running costs and allowing for additional security measures a budget of £40k, plus £20k if boarding up is required, is considered satisfactory. Provision has not previously been made as it had been anticipated that the building would be disposed of soon after closure.
27. Officers have been meeting with all tenants, regular users and hirers of the Arts Centre to discuss with them the closure of the Arts Centre, to explore their plans for the future and to see how DBC can facilitate or support this transition. A number of strands are starting to emerge to shape the interim offer.
28. A new Community Art Gallery is being created in Crown Street Library, which will provide an excellent exhibition space for local artists in an ideal Town Centre location. The first exhibition will be the Dover Prize Exhibition which will run from 17 May – 23 June with work being exhibited simultaneously in both the new Gallery and also in the Lounge Gallery at the Arts Centre.
29. A number of visual arts organisations and artists have shown an interest in relocating from the Arts Centre to The Bridge, a former school site now empty, off Hundens Lane. This spacious single story site is well located for public transport and should be able to provide flexible accommodation for a range of users and hirers, including the Openart Studio (a social prescription project around positive mental health, funded by PCT/NHS Darlington in

partnership with the Arts Centre), the Community Art Project, which enables adults with learning disabilities to engage in arts activities with the support of a practicing artist and Darlington Media Group, a co-operative of visual and media artists. A group of arts tutors currently employed to teach at the Arts Centre have also expressed an interest in offering a course programme, on an independent basis from the Bridge and there are also a number of arts organisations who currently hire space at the Arts Centre who may also be interested in relocating there.

30. A number of arts clubs and societies have indicated that they would like to relocate their offer to the Dolphin Centre. To date these include, Darlington Music Society, Darlington Piano Society, Darlington New Orleans Jazz Club and Darlington R'n'B Club. Others are still considering options and may choose to join them. Some Arts Centre programming strands such as the Royal Geographical Society lecture series will also relocate to the Central Hall.
31. Officers have also met with a range of potential venue providers around Darlington, who may have spaces and places suitable for arts groups and organisations needing to relocate, these include schools, community centres and commercial organisations. This has helped to broaden the options on offer beyond Council run premises and opens up opportunities for interesting new relationships and partnerships.
32. Theatre Hullabaloo is the only company in Darlington funded from the Arts Council England 'National Portfolio'. They can play an important part of the 'Children and Young People' specialism in the Creative Darlington Vision. At the time of writing they have options for temporary accommodation but have yet to finalise arrangements. It would be very helpful for Theatre Hullabaloo to have a clearer picture by December 2012 of how their accommodation needs might be met in the longer term, to achieve the growth and ambition to which the company aspires, encouraged by its National Portfolio funding. The December date is important because in January 2013 the applications for the next round of National Portfolio funding begin.

Strategy for the Arts in the Interim

33. Following the Arts Enquiry Group, Darlington Partnership decided to set up a Creative Darlington Board and Network, and this was endorsed by Cabinet in November 2011. The Board's role will be to drive forward the development of the Arts in Darlington. As part of the MTFP, the Council has agreed to provide £100,000 per annum for this work, including the appointment of a Creative Darlington Manager to support the work of the Board and Network in implementing the Creative Darlington Vision. At the time of writing, a first meeting of the Board is imminent, as are interviews for the Creative Darlington Manager. Darlington for Culture has been progressing with proposals for the Creative Darlington Network.
34. The Creative Darlington Board and Network were set up to ensure that in future, creating the conditions for a thriving arts and cultural scene in Darlington depended less on Council funding and activity, and more on the involvement and resources of all sectors working together in partnership. The job of ensuring that arts and culture continue to thrive in the interim between the closure of the Arts Centre and any new building, is therefore one best tackled by the Creative Darlington Board and Network. This is a good example of the 'Darlington Together' approach. The Creative Darlington Board will be using these resources to attract other resources where possible and through other support as well, to

implement a strategy for ensuring the Arts continue in this interim period. In addition to the £100,000 mentioned above, Cabinet on 3 April 2012 allocated £60,000 (from the Performance Reward Grant) to support the interim offer.

Bids for Vane Terrace Premises

35. The Arts Centre site, including 30 Vane Terrace and Blanche Pease House, has been marketed for sale by informal tender with a closing date for receipt of tenders of 29th February. The property was marketed together with a planning and development brief as being suitable for a range of uses, including the existing arts use and residential uses, and with the possibility of a range of development options including demolition subject to submission of details to support a redevelopment of the highest standard which would enhance the conservation area.
36. Three tenders were received by the closing date and these are described in the Part III Appendix (**Appendix 1**) attached hereto. It is considered that none of the offers have sufficient supporting information to enter into a conditional contract for sale immediately, however a sale was always intended to be subject to the grant of planning permission and further work will be required by the tenderer in order to get to the position where a sale could be recommended, if Members were minded to choose one of the offers.

Project Vane

37. As a result of the publicity around the closure of the Arts Centre and the marketing of the building, potential investors approached the Council with a proposition to use the building for a collection of cultural- and enterprise-related uses. This is a proposition for a private-sector business use of the Vane Terrace building. The proposition is akin to an inward investment enquiry in that the submission received in March is based on a certain amount of research to allow the investors to ascertain whether there is the possibility of a viable project, but requires considerably more due diligence work on business plans, sensitivities, operators for various elements, whether funding can be obtained and other matters. The precise content of the project will almost certainly change as further work is done. The next stage of testing the viability of the project and due diligence is for the investors to do, but Council officers can provide assistance on matters where the Council holds information or has helpful contacts.
38. The submission received in March describes the Vision for the project as:-

“Our vision and ambition is for the DAC [Darlington Arts Centre] to be a place of EXCELLENCE and OPPORTUNITY for CREATIVES and YOUNG PEOPLE. This will be achieved by a re-purposed DAC becoming:

- *A vibrant, multi-disciplinary contemporary arts space of national significance;*
- *A focus for artistic aspiration and inspiration;*
- *A major arts attraction that supports and engages both the local community and a national/ international audience;*
- *A sustainable, resilient, commercial and cultural success for Darlington and the region.*

At its heart we want the DAC to showcase the best of global contemporary creative endeavour, whilst also being a major stimulus to the artistic community of the North East. Through the physical facilities on offer, its outreach and engagement activities, and its

facilitation of international collaboration, we want the DAC to be a place where art happens and not just a place where art is hung.

The key element in achieving this vision is a thoroughly researched, well-conceived and executed commercial business that delivers the cultural, social, and economic needs of the region and sustainably generates a reliable revenue stream.”

39. The main uses proposed for the building (quoting the submission received by the Council) are:

Main Gallery	<p>A landmark statement double height principal gallery space hosting major international shows and collaborating with other global contemporary art galleries to feature touring exhibitions. Area will require appropriate temperature, humidity and security systems.</p> <p>Through our contacts in the international contemporary art market, a strong curatorial team, and the specification of this space we intend and expect to both commission major new works and also accommodate major touring works and exhibitions. In other aspects of our businesses, we work with major global artists and, with corporate sponsorship support will bring this talent to the DAC. These headline activities are a major strand of broadening the DAC’s catchment area and driving revenue streams across the building as well as providing aspirational impetus to the region’s artistic communities.</p> <p>Total area approx. 192 m2 / 2067 ft2</p>
Secondary Gallery	<p>A secondary gallery which along with the principal gallery will be curated to the highest international levels to feature a cutting edge agenda of the current art landscape. This gallery will be programmed in a complementary manner to the Main Gallery to ensure a consistent offer of leading edge international art.</p> <p>Total area approx. 260 m2 / 2,799 ft2</p>
Central Venue	<p>A theatre style venue with a flexible seating capacity of 300-350. Primary uses to include theatrical productions, music, cinema, dance, comedy and literature.</p> <p>This space is at the core of community engagement and utilisation of the DAC. We aim to continue a diverse range of programming across the principal genre strands outlined above, and to add to these by signing new content deals for simulcasts of major UK and international theatre (e.g. RSC and National Theatre). We also intend to bring in major artists from music, film and theatre for “in conversation with” type events and “limited edition” concerts.</p> <p>Total area approx. 420 m2 / 4,521 ft2</p>
Destination Restaurant	<p>A high-end destination restaurant, seating 150 – 200 covers occupying a prominent position at the front of the DAC and overlooking Stanhope Park.</p> <p>Strong demand has been expressed by many parties about the need for a high-quality destination restaurant.</p> <p>Total area approx. 399 m2 / 4295 ft2</p>

Incubator Space	<p>Incubator and office space for artists, art organisations, and growing SMEs from the creative and digital industry sectors. ~30 – 40 offices ranging in size from 150 to 1200 ft².</p> <p>There is strong demand for this type of SME provision. Extensive discussions with Digital City and a hosted visit to Lingfield Point have reinforced the need for this space (both of these spaces are at/approaching capacity) and also provided us with knowledgeable potential partners / collaborators in this area. This aspect of the business will be about empowering and supporting the best young creative and digital entrepreneurs; and in turn generating powerful economic and social outcomes.</p> <p>Total area approx. 1,520 m² / 16,361 ft²</p>
Private Hire Space	<p>A fully catered and licensed state of art flexible contemporary space used for conferences, dinner and dancing, weddings, music, and other medium to large social gatherings. Will seats up to 400 visitors sitting and 5-600+ standing.</p> <p>We have seen in other arts spaces around the country that by having spaces that can be hired by local corporates and individuals helps to create a community sense of “ownership” in their arts facilities. This space will, we intend, reinforce the message that this is an arts centre for everyone.</p> <p>Total area approx. 371 m² / 3,993 ft²</p>
Theatre Hullabaloo	<p>A secondary theatre focused venue of circa 150 capacity to play host to theatre by and for children and young people and also to be the rehearsal / regional performance base of Theatre Hullabaloo.</p> <p>In addition to the refurbishment of Hullabaloo’s existing theatre space, we are speaking with them to ensure an effective provision of rehearsal, dance and office space to enable them to achieve their national “beacon of excellence” in theatre by and for children and young people. Detailed plans for this are ongoing and may entail some amendments to the spatial utilisation of the rear of the site on which the building sits.</p> <p>Total area approx. 493 m² / 5,307 ft²</p>
Boutique Hotel	<p>A discreet hotel (15 – 20 bedrooms) to the rear of the site, offering private dining and socialising, and luxury overnight accommodation for national and international visitors to the centre and the Darlington area.</p> <p>Local individuals and companies have expressed a strong desire for more high quality hotel provision in central Darlington. We are also aware that as the DAC’s catchment area grows we will in effect be expanding the market looking for these facilities. The planned hotel will also house an open and accessible brasserie style second restaurant.</p> <p>Total area approx. 1,105 m² / 11,894 ft²</p>

40. A copy of the submission received by the Council forms **Appendix 2**.

41. To create these new uses of the Vane Terrace building will require some of the newer additions to the Arts Centre building to be removed, new or refurbished spaces to be built and a very extensive refurbishment of the whole building. The proposal requires several millions of pounds of work on the building.

42. It is important to emphasise that the submission reflects a business proposition that is still in development and will inevitably be subject to change as further due diligence work is done by potential investors.
43. It is also important to emphasise, that this is not a proposal to re-open the Arts Centre: it is a proposal for a different use of the building. Whilst providing many arts and cultural uses, they are likely to be different in nature from the existing Arts Centre offer, with the potential for a wider draw of people from outside the immediate region. It also involves a range of activities with an economic regeneration focus not currently provided in the Arts Centre.

Assessment of Project Vane against Strategy Objectives

44. The potential benefits of Project Vane are self-evident. In relation to the Creative Darlington Vision:-
 - (a) The proposal has the potential substantially to raise the profile of the Arts in Darlington and of Darlington in the Arts world.
 - (b) It would contribute substantially to each part of the ‘cycle of development’ – Inspire, Grow, Celebrate, Achieve – set out in the Vision. It would provide a more diverse range of arts activity of national and international significance, contributing to the ‘virtuous circle’ of local arts development set out in the Vision.
 - (c) It has the potential to reinforce the specialist practice in Children and Young People’s Arts, which is one of the two priorities in Creative Darlington, by providing a long-term home for Theatre Hullabaloo, with potential for growth of the company and within an arts community with greater national and international contacts.
 - (d) More generally, ‘Creative Darlington: Investing in a Creative Community’ recognises that the future cultural life of Darlington must depend much less on public sector funding and much more on private sector funding and other activity. Project Vane is an innovative proposal, of a sort not widely seen in the UK, to develop a cultural business which reflects this new public sector funding reality, and so provide an exciting model for the future.
45. At this stage it is unclear the extent to which Project Vane would fulfil the other priority in the Vision (Encouraging a broad and diverse arts offer, responding inclusively to the wide-ranging interests and needs across the borough) or the extent to which it would meet the needs of the ‘arts hub’ envisaged by the Creative Darlington Vision. One of the key issues in exploring Project Vane further would be to establish how the broad and diverse arts activity (such as those which currently use the existing Arts Centre), including community involvement in arts activity, can be sustained in the future, how much of that Project Vane could provide a home for, and what other opportunities there could be to provide for these needs.
46. Current Arts Council capital funding involves providing for the needs of national portfolio organisations, so, if Project Vane were to accommodate Theatre Hullabaloo, it would not be possible to bid to the Arts Council capital fund for a new arts hub (and the match funding from sale of the Vane Terrace site would not be available).

47. In relation to Economic Strategy, and in relation One Darlington: Perfectly Placed and well-being more generally:
- (a) Project Vane would be a significant attractor in relation to quality of life in Darlington;
 - (b) The incubation space for creative business would fill a gap in the provision of accommodation and business support in Darlington, and potentially contribute opportunities for digital businesses;
 - (c) Other aspects of the proposal, such as good quality hotel provision, would also fill gaps identified by businesses;
 - (d) The proposal would contribute to raising the profile of Darlington outside the region.
48. Specific economic benefits might include:-
- (a) Sizeable private sector inward investment in early stages of Project Vane - circa £10m.
 - (b) Creation of around 100 direct FTE jobs but may be considerably more, with significant multiples of that number in indirect work throughout the extensive supply chain.
 - (c) Support for upwards of 50 SMEs over the first five years through the SME incubator space.
 - (d) Crucial improvements in the provision of high quality in town overnight accommodation offer from the 20-30 room boutique hotel.
 - (e) Major upgrade of the town's quality catered offering via the destination restaurant and other aspects of the DAC's catered offering.
 - (f) Flexible private space for hire is a quality addition to the catered hire market in the area for both corporates and individuals.
 - (g) Artistic programme, hotel and restaurant all (see below) greatly increase the audience catchment area for the new DAC thus raising profile of Darlington, increasing tourist numbers quite substantially with knock on in town spend benefits.
 - (h) Empowering existing organisations (eg Darlington College, Digital City Business etc.) via our partnership model.
49. Specific cultural benefits could include:-
- (a) Bringing to Darlington of leading, internationally relevant contemporary artists with benefits in terms of inspiration/aspiration of regional artists and arts organisations.
 - (b) Provision of a quality diverse arts offering in a refreshed central venue at Vane Terrace upscaling the existing offering in terms of theatre, music, dance, film etc.
 - (c) Additional "premium" offerings in terms of theatre, music etc. giving direct access to leading global artists, actors, directors in a "meet the artist" or more intimate setting.

- (d) Support for creative (and digital) SMEs in the incubator space and the strengthening of links between those and other similar facilities regionally and beyond.
 - (e) Providing a quality base on which the existing NPO Hullabaloo can grow and thrive and deliver on its aims of becoming a centre of excellence in theatre by and for children and young people.
50. More generally, an important factor would be what this sort of development says about the ambition of Darlington as an inspirational place to be where the community (its people and SMEs) aspire to create work of international quality and significance (the excellence agenda). It is about creating something compelling and relevant that has a significant and broad resonance.

Further Work Required on Project Vane

51. Whilst more work is required to determine a definite timetable, a potential timetable is:-

(a) Stage 1: Planning, Financing, Acquisition – 2012

During 2012 key milestones, objectives, and deliverables will include:

- (i) Further engagement of key regional and cultural stakeholders;
- (ii) Development of a viable business plan;
- (iii) Business plan approval;
- (iv) Agreement of a private limited (with NFP / CIC) company structure;
- (v) Acquisition of the building;
- (vi) Exploration and acquisition of public and private sources of funding;
- (vii) Agreement of secondary issues, such as parking etc.

(b) Stage 2: Planning and Renovation to Buildings: 2013 – 2014

During this period key milestones, objectives, and deliverables will include:

- (i) Agreement of matters relating to building regulations and planning consent;
- (ii) Engagement of architects, surveyors, and key contractors;
- (iii) Initiation of renovation, development, and refurbishment work;
- (iv) Contractual agreement with potential business partners (such as facilities management, catering concession holders, etc.);
- (v) Recruitment of artistic advisory board and regional stakeholder group.

(c) Stage 3: Launch & Commercial Operation: 2014

New DAC opens its door in mid 2014

Most of this work is for the potential investors to do.

52. At the moment, the submission received by the Council envisages a private sector owned and run business, with the capital works being funded wholly by private sector funding. Whilst the proposal could be eligible for various sources of public sector funding (such as Arts Council capital funding, ERDF, and possibly Regional Growth Fund) it is not yet known whether the investors would wish to apply for such funds. If applications were to be

made then it is unlikely that the Council would be the applicant, as the Council would not have direct involvement with the delivery, but it may be helpful for the Council to be able to express support for any such applications should the investors at any stage decide they would be helpful.

53. No detailed work has yet been done on the planning, highways or conservation implications of the proposals, though the proposed uses of the building would in principle be acceptable against planning policy.
54. A key concern for the Council would be deliverability: if the building is to be disposed of, then will the proposed development actually happen and be successful. It would not be realistic for the Council independently to vet all the details of a business plan for each component of the scheme. Also, the key testing of the viability of the project will be done by the funders of the building works: if private sector funders expect to get a return on investing several million pounds, then this should provide a reasonable assurance that the project is likely to be delivered.
55. Further measures to ensure that the building would not become unused are discussed in the next section on the land transaction.

Land Transaction

56. The nature of the potential land transaction required by Project Vane is still to be determined but from initial discussions with the prospective investors their preference is clearly for a freehold transfer of the Arts Centre but a long leasehold of say 150 years has not been ruled out.
57. What is evident however is that whether freehold or leasehold they are expecting the Arts Centre to transfer at Nil Consideration.
58. Clearly the Council will need to work with the potential investors to develop heads of terms and ensure the Council's position is protected as far as it reasonably practicable to do so whilst at the same time recognising the need to balance risk and foregoing a capital receipt against the Council's strategy and well being intentions to deliver a successful and viable project.
59. If Project Vane progresses, the points of principle and draft heads of terms will need to be established in respect of both parties and brought back to Cabinet for consideration but it is important at this early stage to understand that Project Vane will not produce a capital receipt for the Council from the disposal of the Arts Centre.

Procurement Considerations

60. *Under the Public Contracts Regulations 2006 ("the Regulations") the provision of services in return for any kind of consideration is subject to the Regulations.*
61. There are two main options to effect the arrangement whereby the land is transferred at nil value and the provision of ongoing service is assured.
 - (a) Option A- Transfer of the freehold/leasehold together with a service contract.

- (b) Option B-Transfer of the land without a service contract but with restriction on title (freehold) or in the lease (leasehold) to limit the use of the land to use for performance/cultural space – with provision for ancillary commercial use and prohibiting uses which the Council would not wish to see in place.

62. The route chosen will be selected to ensure that the appropriate level of control is maintained while acting in accordance with the Regulations.

State Aid Considerations

63. State Aid consideration would be required as the deal is better understood to ensure that there is no unlawful state aid.

Options

64. The following options exist for Members to consider:-

65. Accept a Bid for the whole Vane Terrace site

- (a) This would rule out the possibility of investigating Project Vane.
- (b) It could ensure the best capital receipt is achieved for the site, though further work is required on the planning aspects to see whether the bid is achievable.
- (c) Would provide some capital receipt towards match funding a future bid for a new venue meeting the aspirations of the Creative Darlington Vision.

66. Accept the Bid in which the Council retains the front part of the existing Arts Centre

- (a) This would rule out the possibility of investigating Project Vane, as not enough space would retain for their business model to be fulfilled.
- (b) Many of the key parts of the Arts Centre used for cultural purposes (the theatre, studio theatre, garden bar) and some key support areas (such as kitchens) would be lost, so that it would not be feasible to run the remaining space as a viable arts venue.
- (c) There could be a danger that the Arts Council could claw back its grant of c.£0.5m in relation to the studio theatre if no alternative provision were in prospect.

67. Re-Apply to the Arts Council (and other funders) for a town centre venue

- (a) Currently, this relies on sale of the Vane Terrace premises for match funding, so either:
 - (i) Project Vane could not go ahead, or
 - (ii) Alternative funding of about £1.5m capital and about £180,000 p.a. running costs would need to be found
- (b) Theatre Hullabaloo would need to be part of the new premises (rather than Project Vane) for the Council to be eligible to re-bid for Arts Council funding
- (c) It may be possible or necessary to come back to this if Project Vane were not to proceed
- (d) This would enable many of the objectives for an ‘arts hub’ envisaged in the Creative Darlington to be achieved, though it would not provide for the full range of activity

which has taken place at the existing Arts Centre

68. Allow time to investigate Project Vane

- (a) Project Vane would rule out the possibility of a bid for new town centre premises, unless:
 - (i) Alternative funding of about £1.5m capital and about £180,000 p.a. running costs were found, to replace the match funding that sale of the Vane Terrace premises was expected to contribute, and
 - (ii) Theatre Hullabaloo became part of the new premises rather than Project Vane (as the Council could not bid for Arts Council capital funding without a National Portfolio Funded Organisation involved)
- (b) Whilst Project Vane might not achieve all the objectives for an ‘arts hub’ as set out in the Creative Darlington Vision, it could have substantial economic and cultural benefits for Darlington in line with Cultural and Economic Strategies, as described above.

Next Steps

69. It is therefore recommended that:

- (a) A set period of time is allowed to give every opportunity for Project Vane to be tested and, if possible, worked up into a viable and deliverable proposition;
- (b) Consideration of tenders for the Vane Terrace building/site is deferred during this period;
- (c) Officers keep in close touch with Arts Council England on when funding opportunities for a new town centre arts venue may arise, so that, at an appropriate stage, progress with Project Vane can be assessed and a decisions taken about whether to re-apply for a new venue;
- (d) Officers continue to work closely with Theatre Hullabaloo on interim accommodation options and on ensuring that any long-term solution gives consideration to an appropriate home for the company that facilitates its development in Darlington.

70. In testing the likelihood of Project Vane happening, officers would need to reach an understanding with the investors on the following:

- (a) An appropriate land transaction, based on the principles set out in this report;
- (b) That the specific uses proposed in the building, which may well change as the project progresses, would have a similar focus to the project described in this report. If there was significant change in the nature of the proposition, then a report would be brought back to Cabinet;
- (c) There was clear evidence of funding for the proposals, as an assurance that the proposal was deliverable.

- (d) There was a clear and reasonable timetable for the project to progress, so that arts provision, and the Vane Terrace building, were not left in this interim period for longer than necessary;
- (e) The proposal is likely to be satisfactory from planning, highways, conservation and any other regulatory perspectives.