

# WIRRAL COUNCIL

## CABINET

22 SEPTEMBER 2011

<b>SUBJECT:</b>	<b>PACIFIC ROAD, TRANSPORT MUSEUM AND TRAMWAY, BIRKENHEAD</b>
<b>WARD/S AFFECTED:</b>	<b><i>BIRKENHEAD &amp; TRANMERE</i></b>
<b>REPORT OF:</b>	<b><i>DIRECTOR OF LAW, HR &amp; ASSET MANAGEMENT</i></b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b><i>COUNCILLOR ADRIAN JONES – CORPORATE RESOURCES</i></b>
<b>KEY DECISION?</b>	YES

### **1.0 EXECUTIVE SUMMARY**

- 1.1 The report explains the outcome of the previously agreed disposal process for these assets. It identifies changes in circumstances since the disposal process began, considers issues arising and recommends that a further marketing exercise be undertaken to dispose of the assets.

### **2.0 RECOMMENDATIONS**

- 2.1 That the outcome of the previous disposal process be noted.
- 2.2 That the Director of Law, HR and Asset Management be instructed to remarket Pacific Road, the Transport Museum and Tramway on the basis set out in this report, and to report the outcome to a future Cabinet meeting.
- 2.3 That the final shortlisted bidders in the previous disposal process be thanked for their interest and their work to submit a bid, and they be invited to submit further proposals on the revised basis set out in this report within a further competitive process.

### **3.0 REASON/S FOR RECOMMENDATION/S**

- 3.1 Disposal of these assets and the saving of their annual costs are required to achieve savings targets within the Strategic Change Programme. A further marketing exercise is the appropriate way to proceed, given the changes in circumstances since the original exercise took place and the expressed interest of more than one potential bidder.

### **4.0 BACKGROUND AND KEY ISSUES**

- 4.1 In 2008 the Council's Strategic Asset Review recommended disposal of Pacific Road Theatre, the Transport Museum and associated Tramway.

- 4.2 This was against a background of an £11.5m redevelopment of the Floral Pavilion Theatre in New Brighton, into which it was seen that many of the activities in Pacific Road would transfer, and a wider review of cultural facilities across Wirral. That review identified the way forward for the Council to include withdrawal from the Wirral Transport Museum and Tramway, with the Williamson Art Gallery and Birkenhead Priory being retained as a focus for future investment.
- 4.3 Particular concerns were expressed during consultation on the Strategic Asset Review to safeguard the activities of the Youth Theatre that was based at Pacific Road.
- 4.4 As a result, it was resolved by Cabinet on 15 January 2009 that:
- expressions of interest in Pacific Road Theatre by Community/Charitable Trust/Commercial Operator or other interested organisation be sought, or given the considerable interest already expressed, be considered as part of a bidding process, to run the facility as an independent arts and performance venue, and.
  - the Wirral Transport Museum be transferred to a Community Development Trust, given suitable terms and conditions, or, if interest is expressed by an operator in the whole Pacific Road/Tramshed site, that the specialist role of the Transport Museum be protected as far as possible.
- 4.5 The properties were advertised for disposal and expressions of interest were received for individual elements and for integrated use of all the assets as a single package. Volunteer groups active in the transport museum expressed interest but rather than submit a separate bid wished to work with a successful bidder for the facilities and for their activities to be accommodated by agreement.
- 4.6 After considering the initial expressions of interest received and agreeing a shortlist of bidders, Cabinet resolved on 23 July 2009 that
- Preference be given to proposals that offer the Council an integrated solution to the disposal and continued operation of both facilities and the tramway;
  - Preference be given to proposals that demonstrate an inclusive approach to working with other interested parties;
  - The Council would not relocate existing uses or occupiers, and would require bidders to demonstrate how any relocations arising from their proposals would be arranged and funded in full; and
  - The Council would not make any financial contribution to the relocation of users/occupiers of the facilities

- 4.7 At the end of the selection process Cabinet resolved on 9 December 2009 that Merseytravel be nominated as the preferred bidder and that the Director of Law, HR and Asset Management be authorised to negotiate and conclude any necessary legal documentation
- 4.8 A lengthy period of detailed negotiation followed, at the end of which the consent of the Secretary of State was obtained to the operation of the tramway by Merseytravel. During that period the position of the Youth Theatre was also secured by moving its operational base to the former Gilbrook School site, with associated investment in the facility.
- 4.9 On 3 February 2011 Merseytravel resolved not to proceed with the acquisition of all the facilities but asked their officers to further examine the possibility of acquisition of the Wirral Tramway infrastructure and report back on progress and cost.
- 4.10 Discussions subsequently took place with Merseytravel officers. A solution that was considered was for the transfer to proceed as before with the Council taking a leaseback of the theatre space. The Council would retain the theatre staff, with Transport Museum staff transferring as before under TUPE. However following a review of the legal and procurement position – referred to below - such an approach would not be recommended without a further tender exercise.

## **5.0 PRESENT POSITION**

- 5.1 In terms of the Pacific Road facility the position has changed substantially since the Strategic Asset Review took place. Since its successful opening the Floral Pavilion theatre has become the focus for theatrical activity and performance, with some activities taking place there that would previously have taken place at Pacific Road. Staffing is now focused on the Floral Pavilion, which also forms the base for operating Pacific Road when required. The continued operation of Pacific Road and the need to deploy staff resources to it is now a distraction to the service from the operation of the Floral Pavilion.
- 5.2 Confidence in Pacific Road has been badly affected by uncertainty over its future, with a reduction in future bookings and audiences. A programme is running at the venue until Christmas 2011. Beyond that, given the resources available, it is intended to allow the venue to be hired on request with a minimal level of staffing provision, but not to run a programme.
- 5.3 The Youth Theatre – as noted above – has relocated away from Pacific Road. It was a significant presence on the site and user of the facility. Two commercial tenants continue to occupy small areas within the building on short-term agreements.
- 5.4 There remain concerns as to the current operation of the Taylor Street Transport Museum facility, with a need to invest in the site if it is to remain in operation. The extensive collection in the Council's possession – much of which is on loan to it – needs to be better displayed. Provision for visiting

members of the public is poor by modern museum standards. There are, however, strong and active volunteer groups associated with the museum and particular aspects of the collection, and with the operation of the tramway.

- 5.5 Given these issues, if the Transport Museum is to continue to operate then opportunities should be sought to improve the Taylor Street facility, the presentation of the museum collection and facilities for public visitors.
- 5.6 Merseytravel are now waiting for an indication of how the Council wishes to proceed, and have expressed a continued interest in taking over the Transport museum and tramway. In discussions, the possibility has been considered of relocating exhibits from the Transport museum into Pacific Road, which is a more suitable public venue close to the Woodside Terminal, and utilising Taylor Street primarily for storage or workshop access.
- 5.7 The previously unsuccessful second bidder after Merseytravel (the BEST consortium) has expressed continued interest in taking over the transport museum and tramway, and wishes its interest to be considered.

## **6.0 ISSUES TO BE CONSIDERED**

- 6.1 Disposal of Pacific Road, the Transport Museum and Tramway will produce annual revenue savings, and there is no longer provision for the facilities within the base budget. However, in view of the delay in disposal, provision of £250,000 has been made as a one year policy option for 2011/12 to allow continued operation whilst a permanent solution is developed.
- 6.2 Given the successful opening and operation of the Floral Pavilion Theatre and the decline in use at Pacific Road, it is now recommended that continued operation of the theatre should not be a requirement in any future disposal or transfer exercise. Instead the opportunity to use the Pacific Road building to improve the display of museum contents and the operation of the tramway and strengthen the visitor attraction should be considered.
- 6.3 In addition to the current theatre operation the Pacific Road building contains elements that are integral and fundamental to the operation of the Heritage Tramway. The substation and power supplies are located in Unit 1, along with overhead catenaries, tram tracks and a maintenance pit. Unit 1 also serves as a backstage arrangement for the venue (Unit 2). The preference for a single operator for both facilities in the previous disposal process would have addressed the risks arising from this mixture of activities within the building. It is not recommended that the theatre facility should be disposed of separately to the tramway operation in any further exercise.
- 6.4 There is a strong volunteering/community interest element attached to the transport museum, with over 100 active volunteers/interested community members. These interested groups operate with Council support, and whilst attempts could be made to work with them to develop an asset transfer approach this would take a considerable amount of time and resources. It is considered unlikely at this stage that the groups could operate the facility in

the future without continuing Council involvement and support, although it must be stressed that no discussions have taken place with volunteers on this issue.

- 6.5 It is therefore recommended that a further disposal process seeking competitive bids should include a requirement for the inclusion of voluntary groups in future operations.
- 6.6 Any disposal must properly address the treatment of the museum collection, some of which is owned by the Council and some of which is on loan. It is recommended that a requirement be included in any disposal for the new operator to provide secure arrangements to the satisfaction of the Council for the housing and management of the collection.
- 6.7 Disposal of the assets was previously intended to take place on the basis of long leases of the buildings with an operating agreement to cover the tramway. The leases would give the successful bidder sufficient security for investment to develop the facilities. It is proposed to re-market the assets on a similar basis, with future use appropriately restricted in the leases to protect the Council's interests. The position of the Pacific Road building in relation to the future regeneration of the Woodside area should be noted, and on 25 November 2010 Cabinet authorised negotiation of terms with Peel Properties for a joint venture at Woodside.

## **7.0 CONCLUSIONS**

- 7.1 In summary, it is recommended that the assets should be dealt with on the following basis:
  - Competitive bids should be sought to dispose of the Council's interests in Pacific Road, the Transport Museum and Tramway
  - The Pacific Road facility should not be disposed of separately from the tramway operation
  - Continued operation of the theatre should not be a requirement for the future
  - The opportunity to use the Pacific Road building to improve the display of museum contents and the operation of the tramway and to strengthen the visitor attraction should be considered by bidders, together with other appropriate uses.
  - Bidders should be required to show how they will engage with and include community and voluntary groups in future operations.
  - A requirement should be included in any disposal for the new operator to provide secure and satisfactory arrangements for the housing and management of the museum collection.
- 7.2 As with the previous exercise proposals will be formally evaluated, taking account of the above principles and other factors including:
  - Future development proposals and their regeneration impacts
  - Synergies with other businesses and activities in the area
  - Financial viability and availability of resources

- Staffing and HR arrangements
- Any financial offer made.

## **8.0 RELEVANT RISKS**

- 8.1 There is a risk that a further marketing exercise may not result in a satisfactory proposal as a basis for disposal of the assets. This risk will be addressed by producing clear guidance to bidders based on the principles set out in this report whilst allowing flexibility for bidders individual proposals.
- 8.2 Proposals - whilst attractive - may not be deliverable. This risk will be addressed by examination of the financial, organisational and specialised resources of the bidders.
- 8.3 In the event that a satisfactory bid is not forthcoming the other options set out in this report will be further examined.
- 8.4 External grants were used to implement the projects mentioned in this report. The proposals in this report appear to be in line with the purposes for which the original grants were given and therefore there should be no claw back of grant. However, if proposals emerged from the process that were different to the ones set out in this report then the situation would need to be reviewed and any claw back issues reported to Members accordingly.

## **9.0 OTHER OPTIONS CONSIDERED**

- 9.1 Retention and continued operation of both facilities. This option has not been pursued in view of the continuing intention to dispose of the assets and reduce the Council's annual revenue costs.
- 9.2 Retention of all assets and continued operation of the transport museum and tramway, with Pacific Road mothballed. This option has not been pursued as there is understood to be continued external interest in taking over the Transport Museum and Tramway operations. Taking a facility out of use but retaining it would result in the Council continuing to incur revenue costs (for example on rates, security, maintenance and insurance)
- 9.3 Retention of all assets with continued operation of Pacific Road and the closure/mothballing of the transport museum/tramway. This option has not been pursued because activities and income are declining at Pacific Road as indicated earlier in the report, whilst there remains strong community and volunteer interest in the Transport Museum and Tramway. There is understood to be external interest in the Transport Museum and Tramway. Additional resources and investment would be required to rebuild confidence and business activity at Pacific Road.
- 9.4 Retention of all assets but closure and mothballing of all of them. This is not recommended when there is understood to be external interest in them which should be further explored, and where retention would mean that the Council would continue to incur significant annual revenue costs.

- 9.5 Disposal of the assets separately. This option is not recommended due to the overlap of activities that would occur within the Pacific Road building.
- 9.6 All options require decisions to be taken on the future treatment of the museum collection, including items owned by third parties.

## **10.0 CONSULTATION**

- 10.1 Consultation was undertaken on the disposal of the assets in the Strategic Asset Review.
- 10.2 Voluntary groups involved with the Transport Museum and Tramway and tenants at Pacific Road will be further consulted as part of the disposal process.

## **11.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 11.1 As indicated in the report there is strong volunteer involvement in the Transport Museum and Tramway. Volunteers may wish to submit their own proposals following re-marketing of the facilities or to work in partnership with another bidder.

## **12.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

### FINANCIAL IMPLICATIONS

- 12.1 Revenue provision of £250,000 exists in the budget for 2011/12 as a one year policy option to allow continued operation of the facilities whilst the disposal process is completed.
- 12.2 There are immediate repairs outstanding at Pacific Road estimated at £1,500 and at Taylor Street of £4,000. Estimated life cycle repair costs are approximately £87,000 for Pacific Road and £113,000 for Taylor Street.
- 12.3 It should be noted that costs for Pacific Road are closely linked to operations at the Floral Pavilion in view of recent changes to management arrangements for the venue, and savings in respect of Pacific Road are subject to further review. Income is declining at Pacific Road.

### IT IMPLICATIONS

- 12.4 None

### STAFFING IMPLICATIONS

- 12.5 Staff associated with Pacific Road Arts Centre are now incorporated within joint staffing arrangements with the Floral Pavilion. They would be dealt with in any disposal in accordance with Council HR policies.
- 12.6 Staff associated with the transport museum would transfer under TUPE to a new operator.

## ASSET IMPLICATIONS

- 12.7 These are contained in the body of the report. The Council has no current requirement for alternative use of these assets should the existing operations cease.

### **13.0 LEGAL IMPLICATIONS**

- 13.1 The proposals outlined in Section 7 (Conclusions) of this report are in some respects materially different to the proposals in relation to which competitive bids were sought and obtained. In the circumstances, it would be appropriate for a further marketing exercise to be undertaken which invites bids based on the revised proposals detailed within this report.
- 13.2 A further marketing exercise based upon the revised proposals is not only consistent with the approach adopted by the Council concerning these assets but will also enable the Council to again demonstrate 'best value' being achieved.

### **14.0 EQUALITIES IMPLICATIONS**

- 14.1 An Equality Impact Assessment was undertaken for the transfer and disposal programme arising from the Strategic Asset Review.

### **15.0 CARBON REDUCTION IMPLICATIONS**

- 15.1 Disposal of Pacific Road, the Transport Museum and Tramway will reduce CO2 emissions from the Council's activities. The savings will be reflected in the Council's carbon budget for 2012-2013 and have yet to be quantified.

### **16.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

- 16.1 Pacific Road and the Taylor Street Transport Museum are shown as falling within Primarily Industrial Areas on the Council's Unitary Development Plan for Wirral adopted in February 2000.
- 16.2 The tramway is covered by Policy TR5/3 in the Unitary Development Plan, which identifies the extension of the route to Conway Park for implementation as a major highway scheme. The development of Wirral Waters offers a strategic opportunity for light rail, and the existing tramway could form the nucleus of such a scheme.

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## **APPENDICES**

None

## **REFERENCE MATERIAL**

None

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Cabinet	27 November 2008
Cabinet	15 January 2009
Cabinet	23 July 2009
Cabinet	9 December 2009
Cabinet	22 July 2010