

WIRRAL COUNCIL

CABINET 24 FEBRUARY 2014

SUBJECT:	FORMER PACIFIC ROAD ARTS CENTRE, AND THE TAYLOR STREET TRANSPORT MUSEUM, BIRKENHEAD
WARD/S AFFECTED:	ALL
REPORT OF:	HEAD OF UNIVERSAL & INFRASTRUCTURE SERVICES
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR ADRIAN JONES
KEY DECISION?	YES

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to recommend the leasing, separately, of the Taylor Street Transport Museum and the former Pacific Road Arts Centre.
- 1.2 The Council is not under a statutory duty to continue to operate these assets or to provide the services delivered from them.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 At its meeting on 29 March 2012 Cabinet considered a report on the outcome of a second marketing exercise for the operation at Taylor Street Transport Museum and the Pacific Road Arts Centre.
- 2.2 The report proposed a way forward which would include holding discussions with each of the parties that had expressed interest; detailed examination of the feasibility, technical issues and estimated costs in closing and decommissioning the Tramway, and in separating the Tramway infrastructure from the Pacific Road building; an evaluation of potential alternative uses for the buildings at Taylor Street and Pacific Road and discussions with the volunteers currently active in the operation of the Transport Museum and Tramway to assess their interest in a potential community asset transfer of the facilities and their capacity to complete such a transfer and assume full responsibility for the risks and liabilities arising from continued operation.

Cabinet resolved that

- (1) the outcome of the last tender exercise for the disposal of Pacific Road Arts Centre, the Transport Museum and Tramway be noted;
 - (2) the intention to dispose of these operations and assets be confirmed; and
 - (3) the then Director of Law, HR and Asset Management be instructed to proceed on the basis of the way forward outlined in his report during which time existing fixtures and fittings will be left in Pacific Road.
- 2.3 The Pacific Road Arts Centre was effectively 'mothballed'. There is one remaining tenant - KGB Guitars - who has been relocated within the building to allow more effective operation, and provide better security, and the building is now considered surplus to requirements.

2.4 Since the matter was last considered by Cabinet the then Head of Cultural Services, following consultation with the Portfolio Holder, relocated fixtures and fittings from the Pacific Road Arts Centre to the Floral Pavilion. This was done to support the operation of 'The Blue Lounge' at the Floral Pavilion and save the Council money in doing so by re-using equipment which would otherwise have been idle rather than buying or hiring similar equipment. This move is seen as having been successful in supporting the Floral Pavilion.

Continuing interest from third parties

2.5 Those parties who remained interested in the facilities at the time of the last report to Cabinet were approached on the basis outlined in the report. Continuing interest was originally expressed by the BEST Consortium, Moonshooter Promotions Limited, and Hylgar Properties. This is explained in more detail in Appendix 1 and further considered in the options outlined later in the report.

2.6 Merseytravel is no longer pursuing its previous proposal to acquire all three assets from the Council.

Additional expressions of interest

2.7 Since the report to Cabinet in March 2012:

- two separate further expressions of interest have been received for the conversion of Pacific Road to create enterprise/business start-up accommodation - one from a private investor and the other from Wirral Business Partnership (WBP), now Wirral Chamber of Commerce (The Chamber).
- A firm proposal has been received from The Merseyside Tramway Preservation Society (MTPS) for the asset transfer of the Wirral Transport Museum and Heritage Tramway from the Council to the Society.
- A presentation has been made by Peel Holdings of a 'Wirral Street Car Project' in connection with Wirral Waters.

These proposals are explained in more detail in Appendix 2.

Current context and issues arising.

2.8 The Council's circumstances have changed considerably since efforts began to dispose of these assets, and since members last considered the future of the assets in March 2012.

2.9 These assets do not form part of the Council's core cultural services offer and it is assumed that annual revenue savings are to be sought from any future treatment of the assets. At the same time the Council is willing to consider alternative approaches to service delivery for the Museum and Tramway.

2.10 Pacific Road is no longer a performance venue and the Council now has to concentrate activities at the Floral Pavilion to support its business plan.

2.11 New proposals have emerged for both Pacific Road and the Transport Museum, in particular relating to community management of the transport museum and tramway, and the separate conversion of the Pacific Road building. Peel Holdings - with the

Wirral Street Car Project - has also brought forward an initial concept for the integration of the tramway into the Wirral Waters development and a potential wider transport network.

- 2.12 The opportunity now arises to consider afresh options for the future of this complex and unusual mix of assets, not just to contribute to savings requirements but also in terms of their fit with the wider regeneration of the area.
- 2.13 These options do not now envisage the de-commissioning of the tramway and so this report does not therefore address the various options and costings in this respect.
- 2.14 The combined portfolio of all three assets has been marketed twice without achieving a disposal and producing limited interest. The only known external interest in taking all three assets was that of the BEST Consortium. However, this was on the basis of the assets being a going concern i.e Museum, Tramway and Theatre/Arts Venue.
- 2.15 There is interest from the market in acquiring the Pacific Road building on its own. This is referenced in the appendices to the report. It should be noted however that some of that interest would be in re-establishing the building as an arts/performance venue, and that the Council no longer wishes to support such a use.

Proposed Way Forward

- 2.16 It is the firm view of officers that circumstances have moved on since the original decision to dispose of all three assets was made. In particular:
- It is no longer feasible for the council to see the continuation of Pacific Road as a performance venue, the focus being on concentrating events and performances at the Floral Pavilion, thereby supporting its Business case.
 - There is now a single coherent bid from all the volunteer groups to take over the management and operation of the Transport Museum and Tramway. This is considered to offer the Council significant potential revenue savings.
 - There is firm interest from the Chamber to take over the Pacific Road building for conversion to enterprise space, and a successful bid for ERDF grant has been made.
 - Peel Holdings have brought forward their Wirral Street Car proposal, and as a key stakeholder in the regeneration of the area it is considered that their proposals, although at an early stage, have the potential to be brought forward.
- 2.17 It is the joint view of officers therefore that the Council should now negotiate terms for a transfer of the transport museum and tramway to the existing volunteer groups under the banner of the MTPS; negotiate terms for a lease of the Pacific Road building to the Chamber for its conversion to enterprise and employment space, and discuss with Peel Holdings the basis on which its Wirral Street Car Project can be developed and brought forward at the earliest opportunity, with the Tramway remaining in council ownership.
- 2.18 Such an approach would be expected to:-
- deliver revenue savings to the Council.
 - maintain and develop the existing heritage attraction of the Transport Museum and Tramway through a different means of service delivery with greater volunteer control.

- strengthen economic and business activity.
- contribute to the wider regeneration of the area and in particular support the development of the early phases of Wirral Waters.

3.0 PROPOSED TERMS

- 3.1 The estimated cost of altering and adapting the former Pacific Road building are outlined in the attached Appendix 3 and are being funded by a combination of ERDF grant, a Growing Places loan and the Chamber's own capital.
- 3.2 The Chamber has provided financial forecasts setting the likely rental income from the building, once refurbished, against estimated costs. These are examined in more detail in the appendix 4 attached.
- 3.3 It is intended to transfer the building by way of a 25 year lease at a peppercorn rent. An Agreement for Lease will be entered into first requiring the works to be done to the Council's satisfaction, on completion of which the lease will be granted.
- 3.4 The lease will be contracted out of the Landlord & Tenants Acts meaning that there will be no security of tenure at the end of the lease term and the building will revert back to the Council.
- 3.5 Members should be aware that, under section 123 of the Local Government Act 1972, the Council shall not dispose of land for a consideration less than the best that can reasonably be obtained. However, circular 06/03: Local Government Act 1972 General Disposal Consent (England) 2003 gives the Council power to dispose of an asset at less than market value on the grounds that to do so is in the interest of the economic and / or environmental and / or social well being of the inhabitants of the Borough and provided also that any undervalue if it exists does not exceed two million pounds, per transaction. Appendix 4 addresses this issue. A peppercorn rental over a 25 year period will be within the terms of s123 of the Local Government Act.

4.0 RELEVANT RISKS

- 4.1 As part of the Council's Strategic Asset Review Pacific Road was not offered to the market as a single entity. Both marketing exercises to date have linked it to the Transport Museum and the Tramway. Interest has been shown by a private developer who successfully converted the Shorelines Building adjacent to the Cheshire Lines Building into offices. This would however require ERDF grant which the Chamber advises closed to new applications last October under this round. Moreover, ERDF funds are limited and there is no guarantee that any future ERDF calls would support capital projects of this nature. The Head of Regeneration has confirmed this.
- 4.2 If offered to the market as a single entity in its present condition, it could well attract offers. However the proposal in this report will see the Council retaining an asset that will ultimately be worth more than its market value at present. In addition, the requirement to retain access to the tramway and associated substation and track within the building represent major encumbrances to development but The Chamber have embraced these considerations in their future plans to retain the historic tramway to support activities arising through the Wirral Waters and associated developments.

5.0 OTHER OPTIONS CONSIDERED

- 5.1 Continue to operate Pacific Road, Taylor Street and the Tramway.
No - we need to achieve savings and this is not part of our core offer.
- 5.2 Close the Tramway and Taylor Street and mothball the facilities.
No - we have interest so why would we mothball? We can keep the heritage tramway operation with what is proposed.
- 5.3 Close the whole operation and dispose of Pacific Road and Taylor Street.
No - this would require the Tramway to be de-commissioned at a cost of approximately £1.9M which would far outweigh any receipt. In addition, we can keep the heritage Tramway operation with what is proposed.
- 5.4 Sell Pacific Road in isolation.
This is dealt with in 4.1 above.

6.0 CONSULTATION

- 6.1 All previous bidders have been consulted.
- 6.2 The Volunteers at Wirral Transport Museum have been consulted.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 It is intended that the continued operation of the Museum and Tramway will be undertaken by volunteers

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1 The revenue savings have been reported previously. Responsibility for all future running costs and capital works will pass to the Chamber for the duration of the lease.
- 8.2 The original grant received for the project was as follows:
- SRB £3,402,074
- ERDF £685,000
- Total £4,087,074

- 8.3 The SRB element of the award is now free of clawback. The ERDF sum could still potentially be clawed back if we change the use of the building for which the grant was originally given. ERDF define the economic life of the building as 20 years and the grant was awarded in 1999.
- 8.4 All staff employed at Taylor Street have taken, or are to take, EVR within this financial year.

9.0 LEGAL IMPLICATIONS

- 9.1 Appropriate documentation will need to be drawn up to effect the transfers.

9.2 Secretary of State Consent will be required to proposals under the Tramway Orders governing the tramline Consent will only be given on the basis of finalised terms of documents and parliamentary agents will be asked to deal with this aspect if and when appropriate.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(a) Yes an impact review is at

<http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010/law-hr-asset-management>.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 Previously reported.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 The site is designated as part of the Primarily Industrial Area in the Unitary Development Plan and the property is a Grade II listed building.

12.2 Planning permission and listed building consent was granted to Wirral Business Partnership on 22 November 2013 for additional office accommodation within Use Class B1 and for alterations throughout building.

13.0 RECOMMENDATIONS

13.1 That all parties that have bid for, or shown an expression of interest in, any of the assets be thanked for their interest.

13.2 That the Council enter into an Agreement for Lease with The Chamber to facilitate the draw down of funding for the conversion of the Pacific Road building to a managed business centre, on completion of which a 25 year contracted-out lease will be granted at a peppercorn. The agreement will allow access by the Council and the Merseyside Tramway Preservation Society to the tramline inside the building, and the sub station, which powers the tramway.

13.3 That an appropriate means of transferring responsibility for operating the Taylor Street Museum and Tramway to the Merseyside Tramway Preservation Society be agreed and documented.

14.0 REASONS FOR RECOMMENDATIONS

14.1 To formally bring the last tender exercise to a conclusion.

14.2 To facilitate the transfer and conversion of the Pacific Road building.

14.3 To transfer the operation of the Taylor Street Museum and Tramway out of Council control.

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APPENDICES

Appendix 1 – Continuing Interest from Third Parties
Appendix 2 – Recent Expressions of Interest
Appendix 3 – Cash Flow Forecast
Appendix 4 – Financial Implications

REFERENCE MATERIAL

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet	29 March 2012
Cabinet	22 September 2011