



## Report of the Cabinet Member for Investment, Regeneration & Tourism

Cabinet - 15 April 2021

### Dylan Thomas House Scheme

|                                    |  |
|------------------------------------|--|
| <b>Purpose:</b>                    | To comply with Financial Procedure Rule No.7 (Capital Programming and Appraisals) - to commit and authorise the addition of new schemes to the Capital Programme.  |
| <b>Policy Framework:</b>           | Swansea Bay City Region Economic Regeneration Strategy.  |
| <b>Consultation:</b>               | Access to Services, Finance, Legal.  |
| <b>Recommendation(s):</b>          | It is recommended that Cabinet:<br><br><ol style="list-style-type: none"><li>1) Approves the delivery of the Dylan Thomas House Scheme in partnership with the University of Wales Trinity Saint David (UWTSD).</li><li>2) Approves this scheme, its legal and financial implications, and the scheme to be added to the capital programme.</li><li>3) Delegates authority to the Director of Place and Chief Finance Officer to release the capital outlined in the table at paragraph 5.1 and at relevant intervals, as part of the capital programme.</li><li>4) Grants delegated authority to the Director of Place and the Chief Legal Officer and Monitoring Officer to enter into any legal agreements necessary to progress the scheme including an agreement with UWTSD to cover off any related commercial and grant funding compliance risks.</li><li>5) Approves the grant bid to the WG Building for the Future Programme to secure £900k of funding on behalf of UWTSD in support of the proposed scheme and any further grant bids that may be available.</li></ol> |
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## **1.0 Introduction**

- 1.1 This report provides background information regarding the proposal to renovate and significantly enhance Dylan Thomas House (BBC Studios), one of Swansea's most historic buildings, to create much needed flexible recording studios and SME office space to accommodate new and expanding businesses, supporting the growth of the Welsh Digital Economy and Creative Industries.
- 1.2 It is proposed that the scheme is delivered by Swansea Council as freeholder of the property, on behalf of the Leaseholder University of Wales Trinity Saint David (UWTSD), to meet their aspirations and scheme specifications.

## **2.0 Background**

- 2.1 Dylan Thomas House, also known as the BBC Building was originally built in 1899 as part of a Grand Boulevard that was to be Alexandra Road. A series of buildings were designed in a rich classical and baroque revival style, which included the adjacent Glynn Vivian Art Gallery (1887) and Central Library (1887).
- 2.2 The Dylan Thomas House building was destroyed during WWII and was later rebuilt by the BBC during the 1950s. At this time Studio 1, the historic BBC Hall, was redesigned to serve as one of the finest acoustic spaces in the UK, utilising tuneable Helmholtz Resonators. However, since that time the building itself has seen very little investment and now suffers from structural and water ingress issues, aside from the need to significantly improve the quality of the recording and studio facilities.
- 2.3 In 2009 the University of Wales Trinity Saint David entered into a 25 year lease agreement with the freeholder, Swansea Council. More recently UWTSD sought to secure grant funding from Welsh Governments Building for the Future Programme – a fund which was primarily aimed at supporting the regeneration of heritage assets for sustainable uses. The grant bid was successful and UWTSD received a grant award letter in early 2020 for £900k ERDF funding, as part of a £1.2m scheme. However, with the outbreak of the Covid-19 pandemic the University was unable to proceed with the scheme at that time.
- 2.4 In late 2020 WG approached Swansea Council, as the freeholder, to explore the option of the Council taking the scheme forward, or risk losing £900k of grant funding that the University had already secured for the building. At this point the option of a joint venture between Swansea Council and UWTSD was discussed and following further dialogue between all parties WG is content to offer an in-principle grant funding agreement to Swansea Council as the legal entity responsible for the delivery of the scheme, whilst working in conjunction with UWTSD.

## **3.0 Proposal**

- 3.1 It is proposed that Swansea Council supports UWTSDs aspirations for Dylan Thomas House and submits a Business Plan / Grant Bid to the Building for the Future Programme on their behalf to renovate and enhance Dylan Thomas

House, with a view to creating world class recording studios and SME office space to accommodate new and expanding businesses. The Council will serve as the legal entity responsible for the delivery of the scheme, in-line with UWTSDs design brief and the agreed purposes of the WG grant. The University will be required to provide the necessary match funding to deliver the scheme. Post completion of the works the building would continue to be managed and operated by UWTSD as the leaseholder.

- 3.2 A project manager will be assigned by UWTSD who will set the design brief, manage the programme timeline, budget, risks and be responsible for scheme decision making in-line with UWTSDs project governance arrangements. However, as Swansea Council will serve as the legal entity in receipt of grant funding from WG the delivery of various aspects of the scheme will need to follow the Council's mechanisms, such as Corporate Procurement Rules, Financial Procedure Rules etc. Therefore officers within the Economic Development and External Funding Team (ED&EFT) will form part of the project team to support the compliance and procedural aspects of the scheme.
- 3.3 The Economic Development and External Funding Team will aim to secure the grant funding as part of WG's Building for the Future Programme in April 2021 and as part of the project team will procure the services of a Multi-disciplinary Design Team (MDT) specialising in heritage buildings. This MDT will undertake surveys, detailed designs, planning advice, main contractor tender support and also assist in the project management function following the appointment of the main works contractor. Project governance structures similar to those employed on other ED&EFT capital schemes will be implemented to ensure robust project and grant management is in place. Any design and technical requirements from UWTSD will also be taken into consideration as part of the design stage via the Project Manager.
- 3.4 The proposed scheme offers an exciting opportunity to regenerate and bring back into full commercial use Dylan Thomas House, one of Swansea's most historic buildings. Given the age and historic nature of Dylan Thomas House, priority is essentially to conserve and then transform the building into a vibrant and commercially focused creative hub.
- 3.5 The scheme will improve and support the growth of the Welsh Digital Economy and Creative Industries by creating much needed flexible commercial recording studios as well as new SME office space to accommodate new and expanding businesses. The studios will be an International Centre of Excellence for contemporary performance and acoustics unmatched in Wales to allow indigenous creative SMEs to expand without relocating out of the region.
- 3.6 The £1.3m project will deliver 1016m<sup>2</sup> of renovated commercially accessible space in Dylan Thomas House. Upgrades and enhancements to the internal and external fabric of the building will result in its return to full economic and sustainable use. The scheme will provide facilities for private sector SMEs in music production and associated supply chains and will accommodate 23 jobs and 6 SMEs. UWTSD will ensure that all areas of the refurbished building, including the office accommodation and the recording studios, will be marketed in a fair, open and transparent way so as not to provide an advantage to any one organisation.

3.7 Assuming the recommendation is approved, an approximate 18-month design and build programme would commence in April 2021.

#### **4.0 Equality and Engagement Implications**

4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

4.2 The EIA screening form (Appendix B) has been completed and reviewed, it was determined a full EIA was not necessary at this time as the project is still only at its initial phase. Following the appointment of the design team and once the impact of the project is understood further consultation will be developed with stakeholders, both internal and external.

4.3 Throughout the detailed design stage, the project will ensure equalities implications will be considered in all aspects of the design. The scheme will be the responsibility of UWTSD in terms of its operation therefore the EIA responsibility sits with them, however the EIA screening will be revisited if the grant application is successful.

4.4 In line with the Equality Act 2010 and Public Sector Equality Duty for Wales, the City and County of Swansea will ensure that the project adheres to the City and County of Swansea Strategic Equality Plan 2016-2020 meeting the requirements of the authority's procedures.

#### **5.0 Financial Implications**

5.1 Based on QS cost estimates drafted by cost consultants Lee Wakemans, for UWTSD the scheme is estimated to cost £1.3m. The scheme will be financed by £900k of grant funding via the Building for the Future Programme and a £400k capital contribution from UWTSD. Headline costs are outlined below:

## Proposed Scheme Budget

| Budget Headings                           | Budget             |
|---|--------------------|
| Project Management                        | £ 52,140           |
| Design Team Fees                          | £ 136,320          |
| Ground Floor Space                        | £ 185,125          |
| First Floor Space                         | £ 400,800          |
| Second Floor Space                        | £ 142,560          |
| Third Floor Space                         | £ 84,000           |
| External Façade                           | £ 126,000          |
| External Works                            | £ 54,600           |
| Contingency                               | £ 118,155          |
| <b>Total Project Cost</b>                 | <b>£ 1,299,700</b> |
| <i>Financed by:</i>                       |                    |
| WG - ERDF Building for the Future (48.4%) | £ 630,000          |
| WG - TMF Building for the Future (20.7%)  | £ 270,000          |
| UWTSD cash match (30.7%)                  | £ 399,700          |
| <b>Total Project Cost</b>                 | <b>£ 1,299,700</b> |

- 5.2 All resources required to deliver the scheme are incorporated in the funding table above, there will be no additional revenue funding implications. Officers will be capitalised to project manage the scheme. The building for the future programme is due to close by the 31<sup>st</sup> December 2022, but may be extended further by WG to 30<sup>th</sup> June 2023. All EU funds for all programmes must be drawn down and defrayed by 31<sup>st</sup> December 2023 at the very latest.
- 5.3 There will be no future revenue implications arising from the delivery of the scheme. Any ongoing running and maintenance costs will be the responsibility of UWTSD as part of their lease.
- 5.4 Whilst Swansea Council will serve as the legal entity delivering the scheme, it is 100% funded by third parties, WG and UWTSD, with zero cost to Swansea Council. This arrangement will ultimately rely on the Council incurring all expenditure associated with the scheme once it is live, thereby impacting the authority's Cashflow position. However, it is proposed that officers submit regular grant claims to WG/WEFO and secure the 400K of match funding from UWTSD in advance of scheme commencement.
- 5.5 The state aid conditions associated with the ERDF grant funding stipulate that the scheme should not generate a net profit during a 10-year period post completion of the scheme. If a net profit is generated a proportion of this would be clawed back by the funding body. Responsibility for the compliance and reporting will fall to UWTSD as part of the legal agreement with the Council, thereby mitigating any future clawback risk.
- 5.6 In terms of VAT accounting it is likely that the Council would need to opt to tax the site to protect the authority's partial exemption position. This would mean that the supplies of the opted space would then become standard rated and all VAT incurred in the redevelopment would be fully recoverable.

## **6.0 Legal Implications**

- 6.1 The Council and UWTSD will need to comply with the terms and conditions attached to any grant funding utilised in conjunction with the regeneration match funding budget identified in this report.
- 6.2 A legal agreement will need to be in place between the Council and UWTSD to agree and determine the responsibilities of each party and the delivery of the scheme and the operation of the building post completion to mitigate any commercial and grant compliance risks, including any risks of clawback. The agreement will need to ensure that any cost overruns or additional match funding requirements will sit with UWTSD. Swansea Council will seek to pass on the risks relating to grant compliance through the agreement with UWTSD.
- 6.3 All contracts for works, goods and services necessary to deliver the projects must be procured in accordance with the Council's Contract Procedure Rules and the relevant EU Regulations as appropriate. The contractual liabilities/obligations of the Council and any appointed contractors will be covered by the individual contracts entered into.
- 6.4 All statutory consents required in proposals to utilise the Place Directorate match funding budget will be the responsibility of the Planning and City Regeneration Division.
- 6.5 A key condition of the grant award is that the proportion or floor areas defined in the grant bid as commercial floor space within the property must remain as commercial accommodation, providing recording studio and SME office accommodation for a period of 10 years post-closure of the Building for the Future Programme.
- 6.6 This project is fully compliant with the Well-being of Future Generations (Wales) Act 2015 and will ultimately preserve this building for future use by the citizens of Swansea. The project objectives align with the Council's obligation to act in a sustainable way demonstrating compliance with the 5 Ways of Working promoted by the Act and will make a significant contribution to the 7 well-being goals.

**Background Papers:** None

**Appendices:**

Appendix A – FPR7 Financial Implications

Appendix B – EIA screening form