



## **RECORD OF EXECUTIVE DECISIONS**

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 29 September 2021**. The decisions will come into force and may be implemented from **Monday 11 October 2021** unless the Corporate Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

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### **Leisure Transformation New Build Site Selection Update Key Decision REG/07/21**

#### **Summary**

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which provided an update on the due diligence activities undertaken since Cabinet approved the site preferences for three proposed new build leisure facilities in March 2021 subject to further due diligence and feasibility work. The report sought approval of the final site selection for two of the three new build leisure centres at Chester-le-Street and Bishop Auckland, and highlighted the need to carry out further due diligence on the sites at Seaham before making a final decision. The report also provided an update on the wider programme of leisure centre improvements across the County.

In March 2021, Cabinet approved preferred sites for new build leisure centres in Bishop Auckland, Chester-le-Street and Seaham, subject to further due diligence and feasibility work.

Between April and August 2021, further due diligence has been undertaken across all sites to assure the deliverability and value for money for the preferred sites of the new centres and for the redevelopment and refurbishment works to be undertaken across the other facilities. In the March 2021 report to Cabinet, the analysis for Bishop Auckland showed two viable sites: the existing site at Woodhouse Close and Tindale Crescent. Following consideration of the analysis, Tindale Crescent was identified as the preferred site for Bishop Auckland. A key part of this option was the expectation of an associated proposal to develop a community hub on Woodhouse Close, the vacated site of the existing leisure centre.

Since the March report was considered, further work has been carried out to identify likely accessibility and transport improvements to fulfil access and equality issues as outlined in the Equality Impact Assessment (EIA) and public consultation, and on likely land and planning issues. An updated Equality Impact Assessment relating to the proposed new build sites at Chester-le-Street and Bishop Auckland was included in the report.

Key to this is the further work undertaken to identify an alternative Temporary Stop Over Area (TSOA). This is required to mitigate the displacement of the current TSOA at Tindale Crescent where the proposed new build leisure centre was to be located. Alternatives have been explored and a suitable alternative has not been found.

Initial assessments and feasibility studies have also been completed on the potential construction costs of a new facility and Community Hub on the vacated Woodhouse Close site. It is estimated that the costs of such a development could be in excess of £5 million. The potential impact and mitigations that could be put in place during the construction phase at Woodhouse Close have been further considered. The existing Leisure Centre at Woodhouse Close would not need to close for the full construction period, although more detailed work is required before the final project schedule can be produced.

Further consideration has been given to the key components of a community hub. The benefits and outcomes relate to the services and programmes that will be delivered and co-delivered to users, rather than from the actual building itself. These services could be incorporated into a leisure centre designate at a much lower level of additional cost than an independent building and site.

The March 2021 report, which at that time identified the preferred location as Tindale Crescent, subject to further due diligence being undertaken, included analysis of the appraisals of the various sites in Bishop Auckland. This showed a marginal preference for Tindale Crescent over Woodhouse Close. The public consultation showed a preference for the Woodhouse Close site over any others. In terms of the appraisals at that time, both sites met the criteria for a leisure investment.

The preferred location for a new leisure centre in Bishop Auckland has been reconsidered to take account of the more detailed work that has been carried out as set out above. The aggregated effect of the detailed work indicates the material impact on the viability of Tindale crescent as the optimum location for the new leisure centre.

Taking account of this further work that has been undertaken, a change to the preferred site option for Bishop Auckland is recommended. The Woodhouse Close area is now the preferred location for a new build leisure centre that will incorporate a Community Hub within the leisure centre itself.

Further public engagement will be carried out in due course on the overall facilities mix for the new build facility.

The further due diligence undertaken on the Chester-le-Street site has revealed no new significant issues or causes for concern beyond the car parking and traffic issues initially identified, with the conclusion that these can be mitigated or dealt with during the next delivery phase, therefore the recommendation is that Chester-le-Street should progress as originally planned and move to further public engagement on the facilities mix for this site.

Further work on the Seaham dual sites new build proposals set out in the March 2021 report has identified significant deliverability challenges that need to be addressed in order to be able to progress with this preferred option. These include mitigating displaced car parking and the need for further planning considerations as a result of the height of the proposed buildings. These matters have not yet been satisfactorily resolved and further work is required before final proposals can be brought forward for Seaham.

The previous report identified a significant capital investment requirement of £78 million and it was noted that investment at that level would pose challenges in terms of the Council's VAT partial exemption limit – which is calculated on a seven-year average and seeks to cap the level of input tax that can be recovered on exempt (from VAT) activity. At the time of the March report, discussions were ongoing with HM Revenues and Customs (HMRC) to seek further special dispensation to exceed the partial exemption seven-year average threshold.

Since the previous report, HMRC has provided the Council with special dispensation, albeit with clear instruction that the overall investment must not exceed £78 million. Any additional capital spending on the leisure facilities above this level would be outside the approval given by HMRC and would expose the Council to financial penalties in the region of £14 million. The budget for the Leisure Transformation programme therefore must not exceed £78 million and all projects must be scoped within this cost envelope and with due regard to the need for significant levels of self-financing income, as previously identified.

In order to maintain a programme of appropriate pace and phasing to ensure optimum delivery in line with VAT regulations and the early health and wellbeing benefits of the investment in the County Durham Leisure Transformation programme, it is proposed that a number of individual centres refurbishments from the wider programme are initiated as soon as possible.

To facilitate this, a 'Leisure Conversation' phase is proposed, which will provide the opportunity for local public engagement on the programme and the facilities mix proposals on each site across the County.

This will run alongside and throughout the first phase of the investment in order to maintain public engagement and involvement and for the Council to identify new and dynamic ways to engage, listen and respond to residents.

## **Decision**

The Cabinet:

- (a) agreed to the final recommended site selections as follows:
  - i) Bishop Auckland: The existing site (Woodhouse Close); and
  - ii) Chester-le-Street: Former Civic Centre site;
- (b) agreed to carry out further due diligence on the viability of the dual site build proposals at Seaham;
- (c) noted the refurbishment projects (with the exception of Wolsingham, Shildon and Freeman's Quay, which will be considered in a second phase) to be commenced in 2022, subject to engagement with all key stakeholders and progress with design development;
- (d) noted the special dispensation provided by the HMRC for the seven-year average partial exemption limit, provided on the basis that the Council restricts total capital expenditure on the Leisure Programme within £78 million;
- (e) noted that updates will be provided in due course on the further due diligence and development work of this major capital programme, with regular updates also provided through a wider communications and engagement plan across the County.

# Review of Durham County Council Headquarters

## Summary

The Cabinet considered a joint report of the Corporate Director of Regeneration, Economy and Growth and the Interim Corporate Director of Resources on the review of Durham County Council Headquarters. At a meeting held on 16 June 2021, Cabinet agreed that a review would be carried out into the options for use of the newly constructed Durham County Council Headquarters (HQ) at the Sands in Durham City.

The scope of the review was as follows:

- (a) review the options for utilising the new building at the Sands, Durham City;
- (b) consider the options for the location of HQ functions taking account of the review of the new building and assessing the options for the existing HQ site at Aykley Heads; and
- (c) ensure that the strategic employment site proposals for Aykley Heads are fully considered as part of the review.

The report provided Cabinet with the evidence from the review findings and made a series of recommendations linked to this evidence. The analysis includes any contractual, legal and financial implications including those relating to the timescales of any decision. The report addressed wider considerations including the economic outcomes, Council office accommodation and an options appraisal for new HQ building that is being constructed on the Sands. The report also addressed the public interest and value for money considerations that need to inform any change in the original plans for the Council to occupy the building.

The outcome of the review into the options for use of the newly constructed Durham County Council Headquarters at The Sands demonstrates that the only viable alternative to the Council taking occupation is for it to be occupied by a single third party. The market for such a third party is limited however, there is a potential interest from a third party. Preliminary discussions have taken place with the interested third party although further, more detailed negotiations are required.

The findings from the review into whether County Hall could be refurbished set out that this does not represent a viable option due to the estimated costs that would be incurred because of the design, age and condition of County Hall. Added to this, the redevelopment of Aykley Heads will be negatively impacted by leaving County Hall either partially or totally in situ. This means that the only viable option is for County Hall to be demolished and the Aykley Heads site to be redeveloped.

The review found that it would be feasible for a new Headquarters to be constructed on the Aykley Heads site although further, more detailed work is required which would include determining the size, scale and cost of the building, the location on the Aykley Heads site and how this would fit with the overall Aykley Heads masterplan.

The outcome from the review as to whether there are alternative locations to both Aykley Heads and the Sands for a new headquarters suggests that, based on the strategic objectives set out in the original business case, along with the size of site needed to accommodate a building of the scale of the HQ, there are unlikely to be other sites in Durham City which meet the criteria.

However, there are sites and buildings across the county (both in DCC and private ownership) that could potentially be suitable to provide office and civic accommodation.

An options appraisal will need to be carried out in order to review site and building availability based on the Council's aspirations for its office and civic accommodation and which has regard to economic, financial, commercial management and strategic objectives.

If a decision is taken not to occupy the newly built HQ on the Sands then a viable, value for money alternative that delivers the benefits of the original plans will be required.

Based on the current position and evidence gathered to date, and considering the interest shown in the building on the Sands, there is an opportunity to explore the potential broader economic impacts that could be achieved through disposal of the building to the interested third party.

In view of this there is a need to complete, as a matter of urgency, a business case to determine the Council's options for moving forward with its office and civic accommodation. This will need to address the following factors:

- (a) the business case for the Council to follow a new strategy for provision of its HQ facilities;
- (b) the alternative plan for the Council's office and civic/committee accommodation if the new HQ on the Sands is not occupied;
- (c) the resources, costs and other implications of disposing of the HQ to a third party; and
- (d) the wider impacts of the decision, including the wider economic investment strategy for the County.

Marketing of Aykley Heads will not take place until there is certainty around the future strategy for the replacement of County Hall, however, the development work required to go to market will continue. A common element to all potential alternative scenarios is the need to consider and limit the timescales to implementation.

This is a critical issue to any future decision making, as it will impact on a number of the necessary financial and economic assessments. These considerations will need to be reflected in the business case for any decision and it is considered that the Council will need to conclude its decision by summer 2022. The report was supplemented by a corresponding private report.

## **Decision**

The Cabinet (having regard to the corresponding exempt report):

- (a) agreed that the only viable alternative to the Council occupying the building on the Sands would be for disposal or letting to a single occupier;
- (b) noted the key risks that need to be considered prior to any final decision not to occupy the building and dispose of it to a third-party interest;
- (c) agreed to the development of a business case that considers a range of relevant issues including the alternative options for office accommodation and civic space for the County Council whilst ensuring the achievement of outcomes for the Aykley Heads development;
- (d) noted that the role of the business case, (which will be reported to Cabinet not later than Summer 2022) is to assure the decision-making process of the council and have clear regard to economic, financial, commercial, management and strategic objectives;
- (e) delegated authority to the Corporate Director of Regeneration Economy and Growth and Interim Corporate Director of Resources in consultation with the Cabinet members for Resources, Investments and Assets and for Finance to agree the scope of the business case;
- (f) noted that officers will progress negotiations with the interested third party on a subject to contract basis at the same time as preparing a business case;
- (g) agreed that refurbishment of County Hall either for DCC staff or to let in the marketplace as office accommodation does not represent a viable alternative or good value for money;
- (h) agreed that partial demolition of County Hall is not a practical or viable option and does not represent value for money;
- (i) agreed that the Council remains committed to the development of Aykley Heads as a Strategic Employment Site and that to facilitate this, County Hall is to be demolished to enable this development; and
- (j) agreed that should it not be possible to reach a satisfactory outcome from negotiations with the interested third party within agreed timeframes set out that the Council will occupy the building on the Sands as its new HQ.

# **Review of Durham Light Infantry (DLI) Collection and Archive and the potential future use of the former DLI Museum & Art Gallery and Grounds at Aykley Heads**

## **Summary**

The Cabinet considered a report of the Corporate Director of Regeneration, Economy and Growth which presented the findings of the Durham Light Infantry (DLI) review. The report outlined an approach to bring back into use the former building as an exhibition centre, gallery and café venue. The report also set out the benefits of this approach which include providing dedicated exhibition space for the DLI collection items to complement the History Centre exhibition plans; provision of storage capacity for smaller non DLI Council collections as well as the provision of an art gallery facility in the city, which would meet a current gap in the cultural offer. Benefits also include the provision of a new cultural visitor attraction and café which would contribute to the county's City of Culture 2025 bid and fill an identified gap in the visitor economy in the city.

The DLI object and archive collection is one of the most coherent regimental collections in the UK with full chronological coverage from its 1750s origins to amalgamation of the Regiment in the 1960s and beyond. The collection is owned by the trustees of The Regimental and Chattels Charity of the Former Durham Light Infantry (referred to as the DLI Trustees). Its managed and cared for under a partnership arrangement with Durham County Council.

The DLI Museum & Art Gallery was built at Aykley Heads to house the DLI collection and was opened in 1969. The DLI Museum & Art Gallery stored the object collection and displayed around 5% of the collection. A contemporary art gallery displaying touring exhibitions was a key feature of the facility along with education space and a café.

In December 2015, Cabinet considered and agreed a report that recommended closure of the museum and a new model of service delivery for the collection, agreed in consultation with the DLI Trustees.

The building subsequently closed in March 2016, and a new 'deconstructed museum' model of operation commenced - rebranded as the DLI Collection. The new operating model comprised a research and study centre open to the public, with secure object stores and a public programme of temporary exhibitions, outreach and learning opportunities. A new permanent DLI gallery and display was opened at Palace Green Library in Durham City and access to the medal collection through the Barker Reading Room was made possible via a formal agreement with Durham University.

In 2019, it was confirmed that the DLI Collection would become part of plans for a new state-of-the-art History Centre to be developed on the site of Mount Oswald Manor House in Durham City. This was fully supported by the DLI Trustees.

In preparation for the plans to move the DLI collection and archive to the new Durham History Centre, updated terms have been agreed with and signed by the parties. Whilst these terms were agreed in April 2021, the agreement needs to be formally executed to satisfy the requirements of the NLHF in respect of grant funding awarded for the History Centre project. In June 2021, Cabinet agreed to review options for the potential future use of the former DLI Museum and Art Gallery building and surrounding grounds. The review addressed two key questions:

- a) can the former DLI Museum be brought back into use to house the DLI collection?
- b) what are the options to repurpose the former DLI building/site for alternative uses?

The review was undertaken throughout July and August 2021 and has been supported by two separate independent reports that were commissioned to underpin the review. The Director of the National Conservation Service provided an assessment of the current and planned care and storage of the collection and archive, as well as a high-level observation of the former DLI Museum and Art Gallery building from a conservation perspective. Global real estate advisors, Avison Young, provided architectural, planning and market appraisals for the building and its prospective potential uses should it be brought back into use.

A meeting of the Corporate Overview & Scrutiny Management Board (COSMB) took place on 28 July 2021. The meeting was open to the public and was broadcast live. It provided an opportunity to consider the review questions and key stakeholders were invited to submit representations on the issues from their perspectives.

The outcome of that meeting has been fully considered as part of the evidence base for the review.

The review has considered the current condition of the building and options for displaying, storing and care of DLI collection in the former DLI Museum and Art Gallery building, including a full assessment of risks, financial, legal and value for money issues.

The review has also considered the impacts on the new Durham History Centre, including impact on funding and on the storage, display and care of other DCC collections.

It has been established that returning the former DLI Museum and Art Gallery building to its former use would not have the full support of key stakeholders such as the Army Museum Ogilby Trust and the DLI Trustees, who are committed to the History Centre proposals.

The DLI collection and archive is integral to the Durham History Centre project and withdrawing in its entirety would present significant risk to the Durham History Centre – a £19.6 million investment that is currently under construction and for which significant National Heritage Lottery Funding has been secured.

In light of the numerous implications of reopening the building to house the DLI collection in its entirety, the review has concluded that this is not practicable or recommended.

In answering the second question, the review has considered high level options assessments for suitable alternative uses for the former DLI Museum and Art Gallery building and the grounds and environment around the site.

The options for repurposing the building were found to be relatively limited, primarily due to location, market conditions and planning restrictions. The analysis identified that repurposing the building in line with cultural use presented the only real feasible approach, though more work is required to firm up the costs and other implications associated with bringing the facility back into use.

This approach would have the following benefits:

- (a) provide dedicated exhibition space for the DLI collection items to complement History Centre exhibition plans;
- (b) provide storage capacity for smaller non-DLI Council collections;
- (c) provide an art gallery facility in the city which is a current gap in our cultural offer; and
- (d) provide a new cultural visitor attraction and cafe which would contribute to the county's City of Culture 2025 bid and fill an identified gap in the visitor economy in the city.

The review also concluded that the grounds surrounding the former DLI Museum and Art Gallery building should be considered sensitively, as they had been used over a number of years as an informal site for the scattering of veteran's ashes. The report identifies the opportunity to develop a peace and contemplation garden in the grounds.

## Decision

The Cabinet:

- (a) noted the review process, and the evidence and analysis that underpins it.
- (b) noted the options to bring the building back into use as a wider culture and visitor destination, incorporating a significant dedicated space for items from the DLI collection.
- (c) requested officers to commission further detailed feasibility work into:
  - (i) refurbishment of the former DLI Museum and Art Gallery building as an exhibition centre, gallery, exhibition and café venue including dedicated space for display of DLI collection items that will complement plans for exhibitions in Durham History Centre (DHC), noting the purpose built DHC will be the permanent base for the collection and its storage care and curation;
  - (ii) an appropriate funding strategy, operational model, and business plan including a marketing strategy for the venue and an assessment of the wider opportunities of connections to new and existing sites in the city such as Wharton Park and the new History Centre; and
  - (iii) an appropriate peace and contemplation garden in the grounds;
- (d) agreed that the outcome of the further feasibility (which includes full consideration of the MTFP and revenue and capital budgetary impacts) of bringing the building back into use, should be presented to Cabinet for consideration on this option in early 2022;
- (e) delegated authority to the Head of Legal and Democratic Services to execute the agreement between the Council and the DLI Trustees, which is a pre-condition of National Heritage Lottery Funding awarded for the Durham History Centre Project.

**The Cabinet resolved to exclude the press and public by virtue of paragraph 3 Part 1 of Schedule 12A of the Local Government Act 1972 during discussions on agenda item 8.**

## **Review of Durham County Council Headquarters**

### **Summary**

The Cabinet considered a joint report of the Corporate Director of Regeneration, Economy and Growth and the Interim Corporate Director of Resources on the review of Durham County Council Headquarters. The report supplemented agenda item 3.

### **Decision**

The Cabinet approved the recommendations in the report.

Helen Lynch  
Head of Legal & Democratic Services  
1 October 2021