

Cabinet

16 March 2022

Feasibility Study Outcomes: Refurbishment and Re-use of the Former DLI Museum and Art Gallery Building at Aykley Heads

Key Decision No. REG/02/22



Report of Corporate Management Team

Amy Harhoff, Corporate Director of Regeneration, Economy and Growth

Councillor Elizabeth Scott, Cabinet Portfolio Holder for Economy and Partnerships

Councillor James Rowlandson Cabinet Portfolio Holder for Resources Investment and Assets

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 This report outlines the outcomes of the further feasibility studies that have been undertaken following agreement by Cabinet in September 2021 to consider the options for refurbishment and reopening of the former DLI Museum and Art Gallery (DLIMAG) and grounds and sets out an approach to bring it back into use as an exhibition centre, gallery and café venue with appropriate reflective and contemplative grounds.

Executive Summary

- 2 In June 2021, Cabinet agreed to review options to reopen and repurpose the DLIMAG and within this context, also consider the options for housing parts of the collection within the former site.
- 3 The initial review, concluded and considered by Cabinet in September 2021, identified that the preferred option to bring the building back into use was as an exhibition centre, gallery and cafe venue with appropriate reflective and contemplative grounds, incorporating a dedicated display space for items from the DLI Collection to complement plans for the exhibitions in the Durham History Centre, acknowledging that the new

History Centre would be the permanent home for the DLI Collection, its storage, care and curation.

- 4 Since the decision to review the site in September 2021, an intense period of feasibility studies has been conducted to support decision making on the options to reopen the site and the associated financial requirements.
- 5 Engagement with key stakeholders and partners alongside considerations from key council departments including planning, highways and equality and diversity, have informed considerations and options for the site. This builds on the stakeholder engagement carried out during July 2021, that was fully considered as part of the report presented to Cabinet in September 2021.
- 6 In October 2021, the Council, in partnership with Durham University and the Culture Durham Partnership, were long-listed with seven other places for the UK City of Culture 2025 competition, a key aspect of which is to support the sustainability of cultural assets.
- 7 Revival of the DLIMAG building, as part of the strategic re-development of Aykley Heads and in line with the county's emerging inclusive economic strategy, provides an opportunity for culture-led levelling up that will be open to all communities and free at the point of access.
- 8 Redevelopment of the site as an exhibition centre able to deliver world-class visual art along-side displays of our proud history is integral to not only the broad opportunities at the Aykley Heads development and the wider tourism offer of the country and the region, but a conscious programme to celebrate culture and heritage and the many positive impacts these can have for residents and visitors.
- 9 The feasibility study included the review of five options against a clear brief of objectives to be delivered at the site and for our communities, those options were:
 - (a) Option 0 - **Do Minimum** option comprising a refresh and 'clean up' of the existing building within the existing footprint, dedicated display space for the DLI Collection and baseline works to develop a contemplative garden;
 - (b) Option 1 – **Minimum Intervention** comprising complete transformation of the existing building, dedicated display space for the DLI Collection and baseline works to develop a contemplative garden, with the demolition of the existing single storey elements (including public toilets) and a small extension to the east of the property;

- (c) Option 2 – **Intermediate Intervention** similar to Option 1 but includes a much larger extension along the full extent of the eastern elevation increasing the net internal area of the building by approximately 47%. The amount of exhibition space, and dedicated display space for the DLI Collection, is increased and there is also an increase in the amount of flexible space for education and events. The café is also larger. Additional space is included for an artist in residence and bookable meeting rooms. Works to the garden are based on a mid-level scope;
 - (d) Option 3 – **Maximum Intervention** similar to Option 2 but the extension along the eastern elevation doubles increasing the net internal area of the building by around 96%. This option has the most exhibition space and dedicated display space for the DLI Collection. The space for artists in residence / creative hub is also more than double the space provided in Option 2. In addition to a larger café this option also includes additional space for a new restaurant. Works to the garden are based on the top-level scope;
 - e) Option 4 – **Do Maximum** as Option 3 in terms of geometries / space requirements but assumes new build rather than a refurbishment of the existing building.
- 10 Options 3 and 4 are the only options to fully meet the critical success factors. Based on the financial, commercial, economic and market analysis to date the report recommends Option 3 as providing the best value for money against the criteria while delivering a cultural and visual art venue that would raise the city and county's profile against the regional and national cultural offer.
- 11 Construction costings and business plan analyses developed for each option have taken a risk-based approach and maximum expected financial commitments are presented.

Recommendation(s)

- 12 Cabinet, having regard to the corresponding exempt report, is recommended to:
- (a) agree to implement Option 3 of this report as the preferred redevelopment opportunity with a forecast additional MTFP revenue budget requirement, including revenue cost of prudential borrowing required, totalling £1.019 million to be built into MTFP (13) planning;
 - (b) agree that a comprehensive capital and revenue fundraising strategy is developed with immediate effect to seek external funding in order to minimise the prudential borrowing and ongoing revenue commitment of the Council;

- (c) note need to further develop all aspects of the preferred option including the preferred delivery model and revenue implications.

Background

- 13 On 16 June 2021, Cabinet agreed to review options for the potential future use of the former DLI Museum and Art Gallery (DLIMAG) 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?
- 14 Undertaken throughout July and August 2021, the review was underpinned by two separate independent reports from the Director of the National Conservation Service and global real estate advisor, s Avison Young, provided architectural, planning and market appraisals for the building and its prospective potential uses should it be brought back into use.
- 15 On 28 July 2021, a meeting of the Corporate Overview & Scrutiny Management Board (COSMB) 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 was fully considered as part of the review.
- 16 On 29 September 2021, Cabinet agreed with the findings of the review report which identified through evidence and analysis, that reopening the former DLIMAG building to house the whole DLI collection was not practicable.
- 17 The preferred solution identified was for the development of the former DLIMAG building as an exhibition centre, gallery 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 DLI Collection, its storage, care and curation.
- 18 The September Cabinet report also concluded that the grounds surrounding the former DLIMAG building should be considered sensitively, as they had been used over a number of years as an informal site for the scattering of veterans' ashes. The report identifies the opportunity to develop a peace or contemplation garden in the grounds.
- 19 The report recommended the commission of further detailed feasibility work into:
 - (a) refurbishment of the former DLIMAG building as an exhibition centre, gallery 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;

- (b) 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
- (c) an appropriate reflective garden in the grounds.

20 It was agreed that the outcome of the further feasibility (which was to include 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 in early 2022. This report satisfies that requirement.

Approach

- 21 The feasibility project has considered the current condition of the building and options for redeveloping the former DLIMAG building in line with the recommendations agreed by Cabinet in September 2021, including a full assessment of risks, financial, legal and value for money issues.
- 22 Key stakeholder and partner engagements took place between October and January to inform the development of the project brief; those involved in these engagements included sector and subject specialists, funders and appropriate national bodies, artistic practitioners, veterans and interested public campaign groups including: the Regimental and Chattels Charity of the Former Durham Light Infantry (referred to as the DLI Trustees), DLI Association, the Army Museums Ogilby Trust (AMOT), the National Army Museum (NAM), Arts Council England (ACE; the accrediting body for museums), Museums Development NE, Culture Durham Partnership and the Faithful Durhams campaign group.
- 23 Avison Young¹ were appointed to work with Durham County Council to assist with the development of the feasibility study, including a business case for the venue, and to oversee the appointment of technical consultants to inform this work.
- 24 Counterculture LLP² were appointed to assist with developing a funding strategy, operational model, and marketing strategy for the venue and have worked closely with Avison Young and Durham County Council to develop the business case.

¹ [UK commercial real estate agents | Avison Young](#)

² [Home - Counterculture \(counterculturellp.com\)](#)

Critical Success Factors

- 25 Building on the recommendations agreed by Cabinet in September 2021, the outcomes of early engagement with key stakeholders, and analysis for the likely market/ visitor needs the following success factors were identified:
- (a) bring a popular building back into active and sustainable use, as a community asset and visitor destination attracting between 60,000 – 150,000 visitors per annum;
 - (b) retain links to the building’s heritage and former uses including a dedicated space for part of the DLI Collection and explore opportunities to provide storage for other DCC collections complementing rather than conflicting with plans for Durham History Centre;
 - (c) enhance the grounds - preserve and enhance an important site of reflection and commemoration;
 - (d) provide a new cultural visitor attraction and cafe to address gaps in local cultural infrastructure and visitor economy assets in order to increase visitor numbers, dwell time and spend;
 - (e) support the ambitions of County Durham’s bid for UK City of Culture 2025 and the important role of culture-led regeneration in delivering key step changes to protect and enhance our heritage, grow our creative and visitor economies, empower communities and deliver greater wellbeing;
 - (f) support levelling up of the County as part of an inclusive economic strategy;
 - (g) consider the role of the former DLIMAG building as part of the broader Aykley Heads development;
 - (h) provide a pathway to Net Zero to minimise any negative environmental impacts of both refurbishment works and ongoing revenue operations – seeking out potential for decarbonisation whilst acknowledging that net zero may not be achievable in the short-term but that the building will be on a ‘pathway to net zero’;
 - (i) build on County Durham’s strong track record through the Durham Pound to deliver economic and social value, making a significant contribution to local communities.

Stakeholder Engagement

- 26 As part of the detailed feasibility work, and in order to provide transparency and inclusivity to the development process, engagement workshops with

key stakeholders and cultural partners were carried out in December 2021 and January 2022. The purpose of these engagements was to:

- invite key stakeholders to share their top three ambitions/aspirations for a new cultural venue and reflective grounds at Aykley Heads from their perspective;
- for cultural partners to share thoughts on how Art could play a significant role in a new exhibition centre, gallery, and café and garden venue at the Aykley Heads site;
- to seek views on any key considerations /technical requirements that the feasibility team should consider.

27 The views and feedback collected during these sessions, which are summarised below have been fully considered and used to inform the feasibility study.

Engagement with culture and heritage Stakeholder Organisations December 2021

28 A meeting of key partners and stakeholders including representation from: the Regimental and Chattels Charity of the Former Durham Light Infantry (referred to as the DLI Trustees), DLI Association, the Army Museums Ogilby Trust (AMOT), the National Army Museum (NAM), Arts Council England (ACE; the accrediting body for museums), Museums Development NE and the Faithful Durhams campaign group was held on 17 December 2021.

29 A number of key themes came out strongly during this engagement session and are summarised below:

- (a) **Sustainability and resilience** should be a core consideration for any future development. This was expressed from multiple perspectives, such as environmental, financial, visitor engagement and professional care of the collections. It was noted that the flexibility of internal spaces and the right food and beverage offer should be key considerations;
- (b) Stakeholders were keen to see **an inclusive and engaging venue** which is open and accessible for all and can be a great day out for families;
- (c) It was felt that the closure of the former DLIMAG had left a **gap in the visual arts sector** in Durham and a desire was expressed for a new venue that could address this and provide a space for art exhibitions, both touring, national loans and commissions;

- (d) Stakeholders were keen for the venue to have a clear identity and be seen as **a visitor destination in its own right**;
- (e) That the feasibility study should explore potential **opportunities for peace and reflective areas within the grounds around the building**;
- (f) Any plans for the wider landscape should take account of the need to use the grounds in a number of ways including for outdoor events, reference was made particularly to previous events such as summer concerts;
- (g) Stakeholders were clear that plans must complement the arrangements and plans for the DLI Collection at the Durham History Centre;
- (h) Potential synergies with, and support for, the City of Culture 2025 bid and programme should be explored, it was felt that **a new cultural venue could act as a gateway for different audiences to the Council's wider cultural offer**.

Engagement With Local Arts Sector January 2022

- 30 A meeting of artistic practitioners and arts organisations was held remotely on 24 January 2022.
- 31 A number of key themes came out strongly during this engagement session and are summarised below:
 - (a) Consideration should be given to **taking the building back towards the original architectural intent**, there was a feeling that the building had lost its visual impact and that interventions over the years had been unsympathetic;
 - (b) There is **a significant gap in the arts sector in Durham** (both city and county) that could be addressed through a new cultural venue;
 - (c) There is **demand and a gap in the market for artistically active spaces** e.g. artist studios, maker spaces etc;
 - (d) It is important to **get the technical requirements right** whether that be for object collections, art or performance. If technical requirements are not met it will not be possible to attract high profile artists, loans, exhibitions;
 - (e) Learning from the Covid-19 pandemic has shown that outdoor spaces can be used to engage with a wide range of audiences and break down barriers to engagement. A venue on this site should be a

visitor destination not just because of the building and its contents but for the grounds around it as well;

- (f) Important to build in as much **flexibility** as possible.

Current Building Condition

- 32 A condition survey of the building undertaken in April 2015, identified that significant capital investments would be required to replace or upgrade the heating systems, drainage, and lifts, together with major works required to the roof. The boiler plant, lifts and mechanical services have not been used extensively since the building closed and are not suitable for sustained use. The lifts are at end of life and likely to be deemed unacceptably small and narrow for human use under Building Regulations. Replacement is therefore required.
- 33 Asbestos is present in parts of the building and is currently managed in-situ in accordance with the Control of Asbestos Regulations 2012 (CAR 2012). A full Refurbishment and Demolition survey as defined in HSE guidance needs to be undertaken prior to any works to the venue and any asbestos which will be disturbed during the works will be removed in accordance with current legislation and industry guidance. These works will be commissioned and overseen by the Council's specialist Asbestos Unit.
- 34 The pumps serving the foul water drainage system are situated below ground, within the adjacent wood between the building and County Hall. A feasibility study, in 2015, concluded that the system was beyond its reasonable life expectancy, leading to regular breakdowns. A new pumping station and foul drainage system, including a new rising main connecting into the existing sewer network will be required for any future / alternative use.
- 35 The building is not currently fully compliant with Part M of the Building Regulations (access to and use of buildings). The building will need adjustment to meet the relevant standards.

Sustainability

- 36 In 2019 Durham County Council declared a climate emergency and pledged to:
- (a) reduce carbon emissions from Durham County Council's operations by 80% from 2008/09 levels by 2030, making significant progress towards making Durham County Council and County Durham as a whole carbon neutral;
 - (b) Investigate what further actions are necessary to make County Durham Carbon Neutral by 2050 and pledge to achieve this.

- 37 A Climate Emergency Response Plan was subsequently presented to Council on 17 July 2019, with a public consultation carried out on this plan informing future actions, including the production of a Climate Change Emergency Action Plan to cover 2020-2022. This Plan was approved at a meeting of the Council's Cabinet in February 2020.
- 38 This plan stated the Council must embed carbon reduction in the culture of the organisation.
- 39 Significant numbers of both public (39%) and staff (41%), who took part in a survey asking respondents what the Council should prioritise in reducing emissions, felt the Council should seek to ensure new buildings are very low or zero carbon. ³
- 40 In light of the Council's declared climate change emergency any refurbishment of the building will need to include measures /options which seek to reduce and or decarbonise the building and thereby contributing to making Durham County Council and County Durham as a whole carbon neutral. The following considerations must be clear:
- (a) It is unlikely the building will achieve 'zero carbon' status in the short-term as this can only be achieved once the National Grid has become decarbonised. The ambition is therefore to place the building on a 'path towards achieving net zero' carbon emissions;
 - (b) Priority is to remove all fossil fuel burning plant within the building (the building currently runs on oil fired boilers);
 - (c) Installation of a new ventilation system with heat recovery should be explored as should any opportunity for ground source heat pumps;
 - (d) The Solar PV installation on the roof should be retained and ideally supplemented where possible.

Planning and Highways Considerations

- 41 Discussions have been held with key Council departments along a range of themes to inform the feasibility studies that have been completed. Early engagement with planning, highways, and equality and diversity have taken place and are summarised below.
- 42 Consultation with Planning and Highways Officers yielded the following key points:
- (a) The building was originally designed as a pavilion set within a parkland landscape. The project presents an opportunity to recover

³ Climate Change Emergency Response Plan - Report of Interim Corporate Director of Regeneration and Local Services – Cabinet Wednesday 12 February 2020

the architectural significance of the building and re-establish the setting;

- (b) The building lies within a Conservation Area and Area of High Landscape Value;
- (c) The building is considered a non-designated heritage asset and any works to the building will need to demonstrate they are sympathetic to the building;
- (d) The building lies within designated Green Belt and therefore any proposals to extend the building must be proportionate;
- (e) The proposals should take into consideration the wider aspirations / vision for the Aykley Heads site;
- (f) Consideration should be given to a Green Travel Plan to understand the likely modes of transport visitors will use and locations they will travel from;
- (g) Car Parking requirements should be reviewed to determine whether the existing spaces will be sufficient;
- (h) Connectivity to and through the site for pedestrians should be examined in addition to links to other car parking options.

Equality, Diversity & Inclusion Considerations

43 Consultation with members of the Equality and Diversity Team yielded the following key points:

- (a) Achieving British Standard BS 8300 (design of buildings and their approaches to meet the needs of disabled people) as opposed to Part M of the Building Regulations may be a better long-term option;
- (b) Consideration should be given to Changing Places for adults with additional needs;
- (c) Consideration should be given to a rest & reflection or sensory room which can be used for a variety of purposes;
- (d) The venue should be as inclusive as possible;
- (e) Signage to and within the venue should be sensitive to users with additional needs;
- (f) Consultation should be carried out with the wider public including, target audience groups, the Disability Partnership, education providers and County Durham residents; consultation should cover

both the development of the building itself and the programmes delivered from the venue;

- (g) An Access Consultant from the National Register of Access Consultants should be appointed to support the development of the detailed building plans for the preferred option.

An initial Equality Impact Assessment (EIA) screening is at Appendix 2. Should the building be brought back into use a full EIA will be carried out aligned to the preferred option.

Market and Audience Analysis

- 44 Data from the Audience Agency⁴ suggest that County Durham Residents have lower levels of cultural engagement than experienced nationally and lower than experienced elsewhere in the North East.
- 45 Visiting audience analysis undertaken by Visit County Durham to support the City of Culture bid indicates that approximately 20 million people visited County Durham in 2019, supporting over 12,000 FTE jobs and contributing £955 million to the local economy. While the past two years have seen a significant reduction in visits due to the restrictions and impacts of the COVID-19 pandemic, visitor numbers are forecast to recover and increase by 2025, to 22.6 million, resulting in over £1 billion in total economic impact. Should the City of Culture bid be successful, visitor figures are expected to increase further.
- 46 Investment in a new cultural venue at Aykley Heads could therefore be reasonably expected to contribute to an increase in visits to Durham provided it is effectively programmed and marketed.
- 47 Integration into the wider tourism offer would encourage visitors to stay in the area for longer increasing spend per visit and overall local visitor economy benefits.
- 48 Stakeholder consultation has identified that the closure of the former contemporary art gallery aspect of the building left a gap in the arts sector in Durham. Additionally, there is a shortage of both nationally and internationally significant visitor attractions in Durham.
- 49 A mapping exercise exploring the extent of cultural provision in and around County Durham has also been carried out.
- 50 Economic modelling undertaken by Counterculture to support the Durham City of Culture bid forecasts creative industries sector growth of between 175 and 350 enterprises and between 2.2 and 4.4 thousand workers by 2028, depending on the outcome of the bid. All of these will need to be

⁴ [The Audience Agency Group | The Audience Agency](#)

accommodated. In the absence of other projects to develop the required infrastructure, and subject to further market-testing, this factor (among others) would appear to present a strong case for creative workspace to be incorporated within the venue.

Options Appraisal – Building Interventions

- 51 Using the success factors outlined a long list of potential building components was drawn up by CounterCulture and set against an initial business case comprising economic, commercial and financial considerations. The list included core requirements expressly stated in the project objectives (e.g. exhibition space, displays, storage, catering) along with other options that might contribute to wider project objectives based on stakeholder insights, comparator venues and/or past experience. Each option on the long-list was then evaluated in discussion with the DCC project team and the wider design team, with reference to the following:
- **Strategic Fit** – alignment of the option with strategic context and project cost and funding requirements and market analysis and demand from low to high. Core requirements (e.g. exhibition space) were rated highest on this measure, closely followed by other options that have the potential to address identified gaps in market provision and/or deliver clear strategic benefits to Durham (e.g. creative workspace, learning & engagement space). Options for which there was less explicit evidence of need or demand but the likelihood of achieving some strategic benefits were rated in the mid-range, with those that were deemed likely to compete or conflict with existing provision or policy objectives rated lowest;
 - **Achievability** – ability to deliver the project within resource constraints (budget, team), building constraints, and relevant legal or planning frameworks, were overlaid with ratings from low to high. Options that require small, simple and/or flexible space were rated highest on this measure, with those that had more demanding spatial requirements, technical specifications or planning implications (e.g. performance venue) rated lower;
 - **Sustainability** – ability to attract funding or income to cover operating costs, from low (expected deficit) to high (expected profit). Options that are expected not only to cover their own operating costs but deliver net income to support the overall business model were rated highest, with those that were more likely to require significant ongoing subsidy rated lowest. Those that could reasonably be expected to breakeven, or thereabouts, were rated in the mid-range.
- 52 A range of refurbishment and operating options have been considered in detail drawing upon the evaluation of potential building elements. From these five options were developed exploring a range of intervention levels

from baseline, do minimum works (option 0), to do maximum demolish and rebuild (option 4):

Option	Description
1	<p>1,560 sqm (GIA) of refurbished cultural, food & beverage, retail, and event space, providing:</p> <ul style="list-style-type: none"> • Flexible exhibition spaces with ancillary lift, transitional storage and workshops, including dedicated DLI Collection display • Café with adjacent kitchen and servery area • Visitor reception area incorporating gifts and merchandise for sale • Flexible space for meetings, events, projects and learning & engagement activities • Other (office, admin, circulation, welfare, plant and storage) spaces proportionate to building size & use
2	<p>1,965 sqm (GIA) of refurbished space, as in Option 1 with:</p> <ul style="list-style-type: none"> • Increase in GIA to all elements including dedicated DLI Collection display • Additional spaces including: <ul style="list-style-type: none"> ○ Lettable studio space for up to 4 artists-in-residence ○ Lettable retail / commercial space
3	<p>2,395 sqm (GIA) of refurbished space, as in Option 2 with:</p> <ul style="list-style-type: none"> • Further increase in GIA to all elements, including greater studio/workspace provision to accommodate additional artists and creative practitioners, also including dedicated DLI Collection display • Introduction of a restaurant with adjacent kitchen and servery area

Option 4 – Do Maximum, Demolition & Rebuild

53 In addition to reviewing options to remodel and refurbish the existing building the feasibility study has also considered a ‘do maximum’; Option 4. This option explored the costs and benefits of full demolition and rebuild to the geometry of Option 3. As the estimated cost of this option is significantly more than Option 3 which will bring the same spatial elements and benefits; Option 4 – demolition and rebuild is not advised.

Gardens

- 54 A key objective of this project is to enhance the grounds and create an appropriate reflective / contemplative garden; a high-level strategy for the remodelling of the existing grounds has been included in considerations and costings for each option.
- 55 Based on these elements three options landscaping have been developed:
- (a) Baseline Scope: includes repair, resurface and creation of new pedestrian footpaths, pond improvements, the creation of a contemplation area, soft landscaping, lighting for footpaths and feature locations and drainage;
 - (b) Mid-Level Scope: replicates what is included in the baseline but also includes a natural amphitheatre (earthworks and block seating) and children's play area (new paths and woodland themed play area);
 - (c) Top-Level Scope: replicates what is included in the mid-level scope but with additional elements including a new bridge across the pond (reinstating an original feature), improved soft landscaping and infrastructure for artwork pieces.

Economic Benefits

- 56 The options appraisal process has included an assessment of the relative economic benefits of the three short-listed options (Options 1 to 3). The main types of economic benefit of the project (regardless of option) are expected to include:
- Creative economy benefits through workspace, programming & procurement;
 - Visitor economy benefits through a new cultural visitor attraction;
 - Wider economic benefits through multiplier effects and access to bookable space;
 - Investment leveraged through fundraising and private sector partnership;
 - Education & skills increased through new learning activities;
 - Health & wellbeing increased through new engagement / participatory activities;
 - Asset value increased through investment in land and property;

- Cultural sector jobs created through new programme & operations roles;
 - Construction jobs supported through capital expenditure.
- 57 Benefits are expected to be of progressively greater value in Options 2 and Option 3 as a result of:
- Increased levels of capital investment / expenditure increasing the size, scope and opportunities available;
 - Enhanced public offer with additional space, facilities and amenities, leading to further growth in Durham's visitor economy;
 - Enhanced business offer with creative workspace and additional retail/F&B opportunities, leading to further growth in Durham's creative economy and hospitality sector.
- 58 An assessment of the types and number of new jobs that could be created or existing jobs which would be safeguarded under each option has been made and is explored further in the corresponding exempt from publication report considered later on the agenda.

Operating and Business Model

- 59 As part of the feasibility study two main options for the operation of the venue have been considered:
- (a) Operation by Durham County Council, this option would require the creation of new jobs and roles to deliver the programme and expected benefits; or
 - (b) Operation by a 3rd party organisation – this option would likely require creation or identification of an organisation with charitable status (for fundraising and other purposes) but could involve a trading subsidiary.
- 60 The business model will need to strike a balance between maximising public benefits to help drive footfall, engagement and impact while maximising income/ minimising subsidy to reduce net operating costs. In order to balance these priorities a mixed business model is proposed where access to some elements of the offer will be free of charge, some provided at reduced cost and others at commercial rates, the business model. Key to this mixed approach will be the extent, variety and quality of the offer.
- 61 A high-level assessment of fundraising and development opportunities for both capital and revenue has also been carried out during the initial feasibility stage.

- 62 The opportunity exists to raise private funds in support of the capital project at Aykley Heads. A primary source for potential capital funding are trusts and foundations which have a track record and history in funding large capital projects. More recently, the large capital funders have been more interested in funding arts and cultural activities outside of London, especially in areas where provision is low.
- 63 As part of rolling out its new ‘Let’s Create’ strategy, Arts Council England (ACE) has identified 54 priority places across England where ACE investment and engagement is too low. ACE is prioritising working with and investing in these areas from 2021 to 2024. County Durham has been identified as one of these priority areas.
- 64 The Arts Council’s Private Investment in Culture Survey 2019⁵ provides a useful insight into the pre-pandemic average levels of fundraised revenue income experienced in arts and culture organisations across England. In determining the possible levels of annual fundraised income at for this new venue, the following report results have been considered:
- For all arts organisations with an annual income of £1 million - £5 million, on average 17% of all income came from private investment, 41% from earned income and 42% from public funding;
 - For arts organisations in the North, on average 10% of all income came from private investment, 45% from earned income and 45% from public funding;
 - For visual arts organisations and museums, on average 16% and 21% respectively of all income was fundraised;
 - For visual arts organisations, on average fundraised income was split 37% trusts and foundations, 47% individual giving and 16% business investment.

Key Risks

- 65 As part of the feasibility study a full risk register has been compiled for the project with contributions from key experts and teams both within and outside of the Council.
- 66 27 risks have been identified at this stage in the project. 51% of the risks have been identified as having a high/very high level of impact. However, most of these risks will be ‘designed out’ as the project progresses and details are firmed up, mitigations have been put in place to manage these through the following RIBA (Royal British Institute of Architects) stages.

⁵ [ACE: Private Investment in Culture Survey 2019](#)

Main Implications

- 67 Option 0 and Option 4 do not meet the critical success factors nor do they offer value for money; as a result it is advised that these options are not considered further.
- 68 Option 1 (minimum level of intervention) would see the existing building transformed within the current footprint to provide permanent exhibition and display space, a modest café offer and a small amount of retail and meeting space. Given the limitations of Option 1 it would be difficult to significantly widen the offer of the building and it would not be possible to attract the type and scale of temporary exhibition which would be required to drive high footfall and significant income and engagement.
- 69 Both Option 2 and 3 propose large increases in the gross internal area; approx. 47% and 96% respectively. This increase is key to providing enough of the required types of spaces (in terms of height, floor area, location, conditions etc) to drive the scale and quality of programme necessary to meet the financial targets outlined in detail in the corresponding exempt from publication report with Option 3 providing the best outcomes. Both of these options also have the potential to significantly widen the cultural offer within the city due to the potential facilities they could accommodate.
- 70 Option 3, the maximum level of intervention which effectively doubles the existing footprint of the building would allow significant enhancements to both the cultural sector and the public through greatly increasing the number and size of potential facilities.
- 71 Options 3 and 4 are the only options to fully satisfy the project objectives and offer the highest value for money and lowest subsidy per visitor while delivering a cultural and visual art venue that would raise the city and county's profile, benchmarking well against the regional and national cultural offer. Figure 1. Shows what the building could look like under Option 3.





Figure 1. Option 3 feasibility study sketch of East and South elevations

Aykley Heads Masterplan

- 72 The Aykley Heads Masterplan when delivered will provide a 38,000 sqm high-quality employment destination and will deliver more and better jobs and drive demands for goods and services; increasing numbers of businesses and opportunities to tackle economic deprivation.
- 73 Although the former DLIMAG building and grounds are not part of the masterplan their proximity to this significant development should be considered. Redeveloping the former DLIMAG building and grounds will complement the broader redevelopment of Aykley Heads. As the development progresses it will provide opportunities to engage with the business community and those working from the Aykley Heads site.
- 74 Early discussions with the AH masterplan project team and highways have identified other benefits through improvement to active mode routes and public transport supporting the aim for operations and visits to the new venue to be on the pathway to net zero.
- 75 The cultural amenities will benefit from co-location with a growing critical mass of innovative and knowledge risk private sector business and footfall presenting economic opportunities to safeguard and sustain the former DLIMAG future operations.

City of Culture

- 76 Durham's bid for UK City of Culture 2025 sets out an ambitious plan to achieve significant uplift in the creative and visitor economy and improvements in community wellbeing and empowerment through a year long programme of nationally significant events underpinned by an extensive education and skills programme.
- 77 An appropriate capital infrastructure is necessary for the successful delivery of the City of Culture programme and the bid identifies a gap in the visual arts infrastructure that would be mitigated by the development and refurbishment of the former DLI museum and art gallery.

- 78 The venue could offer a potential home for national events such as the Turner Prize in 2025 as well as supporting the aim of improving walking and cycling routes, allowing visitors and residents alike to access green routes between the city centre, riverbanks, Crook Hall and Wharton Park, contributing to environmental and health outcomes.
- 79 While City of Culture is an important economic growth driver, the Council is committed to culture-led regeneration and its contribution to Levelling Up regardless of the outcome of the bid for the 2025 title and a further report on how this could be delivered and the resource impacts on the Council will be considered later this year.

Conclusions

- 80 There is an identified gap for visual arts in the cultural offering of Durham City and the wider county.
- 81 The opportunity to bring the former DLIMAG building back into use as an exhibition centre, gallery and café with dedicated display space for the DLI Collection to complement the exhibitions at the Durham History Centre would provide a new cultural visitor attraction to address gaps in local cultural infrastructure and visitor economy assets in order to increase visitor numbers, dwell time and spend in the local economy.
- 82 The inclusion of reflective and contemplate grounds and dedicated display space for the DLI Collection would see links to the building's heritage and former uses retained and celebrated.
- 83 Bringing the building back into active and sustainable use, as a community asset and visitor destination will support the ambitions of County Durham's bid for UK city of Culture and would recognise the key role of culture-led regeneration in supporting levelling up and the Council's inclusive economic plan building on County Durham's strong track record through the Durham Pound to deliver economic and social value making a significant contribution to local communities.
- 84 Based on the feasibility studies to date Option 3 provides the best value for money to the while delivering a cultural and visual art venue that would raise the city and county's profile against the regional and national cultural offer.

Background papers

- Corporate Overview and Scrutiny Management Board - Review of the Durham Light Infantry (DLI) Collection and Archive

Other useful documents

- Cabinet Report December 2015

- Cabinet Report June 2021
- Cabinet Report September 2021

Author(s)

Alison Clark

Tel: 03000 264577

Susan Robinson

Tel: 03000 267332

Sarah Glynn

Tel: 03000 266071

Appendix 1: Implications

Legal Implications

The Council has the power to operate museums and art galleries under section 12 of the Public Libraries and Museums Act 1964 and may do all such things as may be necessary or expedient for or in connection with the provision or maintenance thereof.

Finance

There will be a need to “opt to tax” the building upon completion of the works to avoid a position where there is an adverse impact on the Councils Partial Exemption position. This will mean that VAT would be chargeable on any hire of rooms.

The MTFP(12) capital budget approved by County Council on 23 February 2022 has the capacity to finance £6.5 million of the capital costs of the development. Based upon the estimated capital costs of the three options and the total forecast revenue impact of the three options. It is forecast that the budget impact of the proposal would need to be included in MTFP (13) planning for the 2024/25 revenue budget:

	Option 1 £m	Option 2 £m	Option 3 £m
Forecast Net Operating Costs	0.763	0.739	0.605
Forecast Additional Borrowing Costs	0.147	0.267	0.414
Forecast Total Annual Budget Impacts	0.910	1.006	1.019

At this stage of the development the assumptions of expenditure and income are informed estimates and further work will be required to refine these estimates.

Consultation

Key stakeholder and partner engagements took place to inform the development of the project brief; those involved in these engagements included sector and subject specialists, funders and appropriate national bodies, artistic practitioners, veterans and interested public campaign groups including: the Regimental and Chattels Charity of the Former Durham Light Infantry (referred to as the DLI Trustees), DLI Association, the Army Museums Ogilby Trust (AMOT), the National Army Museum (NAM), Arts Council England (ACE; the accrediting body for museums), Museums Development NE, Culture Durham Partnership and the Faithful Durhams campaign group.

Further engagement with key stakeholders and target audiences will be carried out once the preferred option is selected. Consultation will be carried out with the wider public including, target audience groups, the Disability Partnership, education providers and County Durham residents; consultation will cover both the development of the building itself and the programmes delivered from the venue.

Equality and Diversity / Public Sector Equality Duty

An initial Equality Impact Assessment (EIA) screening is attached the building be brought back into use a full EIA will be carried out aligned to the preferred option.

An Access Consultant from the National Register of Access Consultants will be appointed to support the development of the detailed building plans for the preferred option.

Climate Change

Current building does not meet climate change refurbished would be path to net zero.

The Low Carbon Economy team have advised the following:

- (a) It is unlikely the building will achieve 'zero carbon' status in the short-term as this can only be achieved once the National Grid has become decarbonised. The ambition is therefore to place the building on a 'path towards achieving net zero carbon emissions';
- (b) Priority is to remove all fossil fuel burning plant within the building (the building currently runs on oil fired boilers);
- (c) Installation of a new ventilation system with heat recovery should be explored as should any opportunity for ground source heat pumps;
- (d) The Solar PV installation on the roof should be retained and ideally supplemented where possible.

Human Rights

None specific to this report.

Crime and Disorder

None specific to this report.

Staffing

Additional staffing would be required, careful consideration would be needed regarding linkages with History Centre and other cultural venues.

While all roles in the proposed structure detailed in the corresponding exempt from publication report would be required at the new venue to some extent, economies of scale across the Council's other cultural venues could be achieved as several roles could be shared across this venue, Durham History Centre (DHC) and the Durham City Town Hall. There are several benefits to this that are outlined in the report.

Accommodation

Under Option 3, 2,396 sq m of accommodation would be brought back into use/created.

Risk

As part of the feasibility study a full risk register has been compiled for the project with contributions from key experts and teams both within and outside of the Council.

27 risks have been identified at this stage in the project. 51% of the risks have been identified as having a high/very high level of impact. However, most of these risks will be 'designed out' as the project progresses and details are firmed up. During the feasibility study regular risk workshops with specialists from within and without the council have taken place, it is expected that these will continue into the next stages of the development.

A key risk to reopening the facility as usage and visitor projections. Visitor projections have been based on market analysis and visitor economy growth forecasts and are detailed in the corresponding exempt from publication report.

All options considered have been assessed against the evidence available including an assessment of key issues such as planning, building, collection implications, future viability / market assessment and any legal considerations.

Based on the work undertaken option 3 is considered to be the preferred solution.

Procurement

The feasibility study has necessitated the commissioning of external independent consultancy support, through the engagement of Avison Young and CounterCulture. Further consultancy support will be required to help complete the next RIBA stage of the redevelopment. The procurement of any consultants to support this feasibility study has been undertaken in line with the Council's Contract Procedure rules.

Appendix 2 – Durham County Council Equality Impact Assessment

Attached as separate document.