

DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
DEVELOPMENT SERVICES DIRECTORATE	TOURISM AND LEISURE COMMITTEE	3 NOVEMBER 2016	4
LYTHAM HALL CAPITAL GRANT MONITORING REPORT			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The report provides the annual update on the expenditure of the £300,000 capital grant awarded to Lytham Hall in August 2011. It also provides information on the withdrawal of the remaining £1.7 million Heritage Lottery Grant and £1 million commitment from Lancashire County Council which has led to the Restoration Project being postponed.

The report includes concerns that have been raised about the Governance and financial management of the Restoration Project by Heritage Trust for the North West, the amount of external funding the Heritage Trust for the North West has received for Lytham Hall and how the restoration of Lytham Hall will be managed and delivered in the long term.

The Chief Executive of the Heritage Trust for the North West has been invited to the meeting to present further details and address questions from the committee.

RECOMMENDATIONS

1. That the committee determine whether they can be confident that the capital grant awarded to Lytham Hall has being spent in accordance with the Heads of Terms as at April 1st 2012 on the restoration project based on the information and evidence put before them.
2. That the Tourism and Leisure Committee request from the Heritage Trust for the North West that Fylde Council Officers have access to the Moore Stephens Report prepared by the Heritage Lottery Fund for consideration at its next meeting.
3. That the Tourism and Leisure committee are assured that any issues arising from the Moore Stephens report are addressed by the Heritage Trust for the North West.
4. That the Heritage Trust for the North West put in place a clear plan of action to restore Lytham Hall's historic buildings, landscapes and structures to enable Lytham Hall to become a major tourism destination on the Fylde Coast.

SUMMARY OF PREVIOUS DECISIONS

Tourism and Leisure Committee – 7 January 2016

Lytham Hall Progress Report – Coastal Revival Fund

1. To recommend to the Finance & Democracy Committee the approval of a fully funded addition of £47,000 to the Councils 2015/16 Capital Programme towards the restoration of Lytham Hall to be met

from a grant from the Coastal Revival Fund of the same amount.

2. To agree that, subject to approval of the addition to the Capital Programme by the Finance & Democracy Committee as described above, the delivery of the project is to be achieved through the engagement of consultants/contractors and suppliers to deliver the various elements of the project in line with the Councils financial regulations and contract rules and procedures.

3. To recommend to the Finance & Democracy Committee the approval of one single payment of the grant upon the receipt of supporting invoices from Lytham Hall (Heritage Trust North West).

Tourism and Leisure Committee – 12 November 2015

Lytham Hall Capital Grant Monitoring Report

1. To note the capital grant awarded to Lytham Hall is being spent in accordance with the Heads of Terms as at April 1st 2012 on the restoration project and the required monitoring information has been made available.

2. To agree in principle that the Council will act as accountable body for the Coastal Revival Fund project should it be approved by the Department for Communities and Local Government.

Cabinet – 15 January 2014

Lytham Hall Capital Grant Monitoring Report

1. To note that the capital grant awarded to Lytham Hall is being spent in accordance with the Heads of Terms (as at April 1st 2012) on the restoration project and that the required monitoring information has been made available.

2. To note the offer of the tour of Lytham Hall with any interested members contacting Darren Bell who will organise a visit to the venue through the Project Manager to see the latest development work and future plans.

Cabinet – 27 June 2012

Lytham Hall Capital Grant Monitoring Report

1. To note that the capital grant awarded to Lytham Hall is being spent in accordance with the Heads of Terms as at April 1st 2012 on the restoration project and that the required monitoring information has been made available.

2. To request that a further capital monitoring report at the end of the current financial year 2012/13 to ensure the grant continues to be spent in accordance with the Heads of Terms and to confirm that the restoration project remains on target.

3. To take up the offer of a tour and presentation of the Hall as part of the monitoring process and extend the invitation to any other elected members that wish to attend.

Cabinet – 28 June 2011

Lytham Hall

RESOLVED to confirm the acceptability of the additional information received from Heritage Trust for the North West on the restoration project for Lytham Hall, and that the financial support committed by the Council be released subject to the receipt of the capital receipt referred to in the report.

Council meeting – 28 March 2011

Reports from Committees; 2 - Cabinet

“1. To agree the recommendation of Cabinet in principle, to a capital grant of £300,000 being made to the Heritage Trust for the North West for the Lytham Hall restoration fund, subject to further detailed information being available to the council on:

- a) financial arrangements for the appeal fund
- b) public access
- c) project timetable
- d) other funding contributions

2. Recommendation 1 to be subject to the receipt of an equivalent additional capital receipt being identified in the council’s capital programme.”

Cabinet – 23 March 2011

Capital Funding Request

1. That, the Cabinet agrees, in principle, to a capital grant of £300,000 being made to the Heritage Trust for the North West for the Lytham Hall restoration appeal conditional upon the successful sale of Clifton (Lytham) Housing Association Ltd and the council receiving the capital receipt.

2. That the Council be recommended to agree an addition to the capital programme in accordance with recommendation 1, to be fully funded from the Clifton (Lytham) Housing Association sale receipt.

3. To disapply the recovery and call-in procedure as a consequence of the need to refer this matter to a meeting of the full Council.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	√
Delivering the services that customers expect of an excellent council (Clean and Green)	√
Working with all partners (Vibrant Economy)	√
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	√
Promoting Fylde as a great destination to visit (A Great Place to Visit)	√

REPORT

1. Lytham Town Trust own Lytham Hall and lease it to the Heritage Trust for the North West on a 99 year lease. The Heritage Trust for the North West manage Lytham Hall on a full repairing lease on behalf of the Lytham Town Trust.

2. In August 2011¹ the Council agreed to pay a one off capital grant of £300,000 to Lytham Hall to support the Heritage Lottery Fund (HLF) Restoration Project. This included restoration of the historic buildings and landscapes; sustaining investment in the long term through delivery of a management and maintenance plan; and increasing the use and footfall of the facility through the delivery of an activity development plan, to ensure the continued accessibility of Lytham Hall and associated Country Park.
3. In accordance with the Heads of Terms agreed as a requirement of the capital grant an annual monitoring report is submitted to the Council and financial records made available for inspection. This is the fourth monitoring report that has been produced.
4. Following the payment of the £300,000 grant from Fylde Council a copy of the financial accounts of the Heritage Trust for the North West (HTNW), the company which is managing the Lytham Hall restoration project (along with a number of restoration projects in the North West of England) has been received. Lytham Hall was awarded grant of £2.441m from the Heritage Lottery Fund, along with the capital grant from Fylde Borough Council of £300,000, towards the total project cost of £5.984m. Table 1 details the sources of funding originally anticipated which make up the total scheme budget of £5.984m. In March 2013 the Heritage Lottery Fund gave the Trust permission to commence the scheme.

Table 1 – Sources of funding for Lytham Hall

Source	Original target amount £	Amount received £
Heritage Lottery Fund	2,441,200	716,869
Lancashire County Council	1,000,000	0
Fylde Borough Council	300,000	300,000
Lytham Town Trust	100,000	0
Lancashire Environmental Fund	40,000	40,000
Veolia	28,828	28,828
Charitable Trust Donations		
Getty Trust	50,000	50,000
Pilgrim Trust	25,000	0
Monument Trust	200,000	200,000
Country Houses Foundation	96,000	28,800
Volunteer contribution	633,000	See note below
Non cash contributions	197,520	0
Public Appeal/Fundraising	115,000	115,000
Further donations	249,025	36,287
Heritage Trust for the North West	508,864	241,320
Totals	£5,984,437	£1,757,104

Volunteer time amounting to £633,000 and gifts in kind totalling £109,691 were claimed @ 41% as part of the £716,869 HLF grant.

5. Within the Heritage Trust for the North West's unaudited financial statement for the year ended 31st March 2015 (see appendix 1A) the accounts show (page 20) Fylde Council's grant as deferred income with £268,512 remaining at 31st March 2014 and £131,108 remaining of Fylde's contribution on 31st March 2015. A copy of the audited report and financial statement for the

¹ The decision in principle to make the grant was agreed by members in March 2011 with the agreement entered into to pay the grant in August 2011.

year ended 31st March 2015 has been requested and will be circulated prior to the meeting as appendix 1B if they become available.

6. Since the [last monitoring report in November 2015](#) at which significant progress was being reported with the restoration of the Historic Hall and Grounds the scheme has suffered a significant setback with the announcement in August 2016 that the Heritage Lottery Fund had withdrawn its remaining grant of £1.7 million pounds (see Appendix 2 - Heritage Trust for the North West Press Release).
7. Following the announcement in August 2016 the Council have undertaken a preliminary review of the situation to ascertain:
 - It was noted that Lancashire County Council has withdrawn its original in principle pledge contribution to invest £1m in the refurbishment of Lytham Hall. What are the reasons for this?
 - Why the Heritage Lottery Fund has withdrawn the £1.7m grant?
 - What the Council's £300,000 match fund contribution has been spent on and what remains?

HERITAGE LOTTERY FUND

8. Officers have contacted Susan Bowers the Heritage Lottery Funds Deputy Director of Operations to ascertain the reason for the Heritage Lottery Fund retracting the grant. Susan Bowers confirmed that in April 2016 the Heritage Trust for the North West re-applied to the Heritage Lottery Fund to consider reducing the scale of the project. The reason behind this was that the Heritage Trust North West did not have the required match funding for the approved Heritage Lottery grant.
9. The case was taken back to the Heritage Lottery Board who refused the reworked application on the grounds that they were concerned about the financial viability of the Scheme.
10. The original project consisted of works to the building and works to the grounds. The HLF is satisfied that the works to the grounds have been done. However the works to the hall have not. The HLF will provide feedback to the Heritage Trust for the North West after taking stock and investigating what has been completed to date to determine if it complies with the grant conditions.
11. The HLF has commissioned a governance report by Moore Stephens (an accounting consultancy working on behalf of the HLF) that officers have requested a copy of from Heritage Trust for the North West. The HLF has not ruled out future applications in relation to Lytham but have decided to close down the existing project and then the next steps will be for Heritage Trust for the North West to decide how it wants to progress.

FYLDE BOROUGH COUNCIL'S £300K MATCH FUND CONTRIBUTION

12. The Chief Executive for the Heritage Trust for the North West (Mr John Miller) has been asked for a breakdown of where and how Fylde Council's financial contribution has been spent with supporting evidence.
13. Mr Miller's response is that 'Fylde Borough Council's contribution has been used to match the contribution from the HLF of £716,869 (41% of expenditure incurred of £1,757,104). At 31 March 2016 virtually all the £300,000 contribution from Fylde Council had been spent'. Mr Miller stated that HTNW is waiting for the HLF to close down the project and once this is done a full audited statement can be forwarded to Fylde Council. Mr Miller will be attendance at the meeting to outline in more details how the grant from Fylde Council has been spent

LANCASHIRE COUNTY COUNCIL'S £1 MILLION CONTRIBUTION

14. On the 6th March 2013 Lancashire County Council wrote to the Chief Executive of the Heritage Trust North West (see Appendix 3 Lancashire County Council Financial Support for the Heritage Trust North West) regarding the decision taken by LCC to, in principle, provide additional loan guarantee, a £1 million investment into Lytham Hall and to provide revenue funding for the operational costs of the Heritage Trust North West. In order for the decisions set out above to be implemented a number of actions needed to be undertaken by the Heritage Trust North West including the drafting of a Development Plan.
15. On 7th July 2015 Mr Miller attended a meeting concerning the withdrawal of the pledge by Lancashire County Council to provide a grant of £1million for Lytham Hall. The Heritage Trust for the North West subsequently wrote to Lancashire County Council requesting confirmation of the withdrawal of funds.
16. Lancashire County Council's Chief Executive confirmed to Sara Hilton from the Heritage Trust North West that it was HTNW's inability to meet LCC's reasonable conditions that led to the delay in this project and that it is failure of the Trust's Board to come forward, as requested, with a clear plan for disposal of properties and other options for raising funding to close the financial gap that has led to the current position.
17. On the other hand the Chief Executive for the Heritage Trust for the North West (Mr John Miller) has stated that the Trust proposed to borrow funds from the Architectural Heritage Fund and asked LCC to act as the guarantor. LCC understandably required some security and asked the Trust to agree a Disposal Strategy. This was produced by Petty's Estate Agents and approved by the Trustees of HTNW. Subsequently the Trust did not need to ask LCC to act as guarantor and therefore there was no need to comply with the request. LCC has subsequently accepted this when it agreed (3 years later) to offer an unconditional grant of £300,000 for the project (see paragraph 22 below).

LYTHAM TOWN TRUST

18. The Chairman of Lytham Town Trust, David Gill and Stanley Kitt, who is also a member of Lytham Town Trust and an ex-Trustee of the Heritage Trust for the North West, have raised a number of concerns about the Heritage Trust for the North West which require further clarification. These are:
 - Governance of the Heritage Trust for the North West
 - Financial Management of the Heritage Trust for the North West
 - The amount of external funding support the Heritage Trust for the North West have received for Lytham Hall
19. The Chief Executive of the Heritage Trust for the North West (Mr John Miller) was asked for a list of Trustees, the number of occasions the Trustees meet and how Trustees are appointed (see appendix 4 Governance information).

HERITAGE TRUST FOR THE NORTH WEST PROPOSED WAY FORWARD

20. The Trustees of HTNW intend to apply for the new HLF Resilient Heritage Grant (just announced) to help the Trustees to put forward a robust business case for Lytham Hall. When this is complete the HTNW intends to submit a new application to the HLF taking into consideration recent developments and ideas for an improved scheme. Other funding partners have expressed an interest in a new application that HTNW will be approaching for support.

SUMMARY

21. In summary it is difficult to reach a conclusion as to whether the capital grant awarded to Lytham Hall has been spent fully in accordance with the Heads of Terms based on the evidence supplied through the preliminary review, further work is required to gain a full picture of the situation. Mr Miller has reassured the council on a number of occasions through the annual monitoring report and onsite presentations that the grant has been spent in accordance with the Heads of Terms, and these assurances have been accepted. In light of recent events, Mr Miller has been requested to provide further information, in writing, to substantiate previous information provided. These assurances have been promised but remain outstanding at this point. Mr Miller will be in attendance at the meeting to provide an update on the spend of the whole project to date and the outcomes that have been achieved. The Heritage Lottery Fund has engaged Moore Stephens to carry out a governance report on the project and the findings should assist with a way forward for the restoration of Lytham Hall.
22. The Heritage Lottery Fund has stated it has not ruled out further financial support for Lytham Hall. Lancashire County Council has offered £300k in match funding to support the reworked application in April 2016. The issues around the governance and financial management of the Heritage Trust for the North West require further understanding. The major funders and supporting organisations including Lytham Town Trust, Fylde Council, Lancashire County Council and the Heritage Lottery Fund will continue to meet with the Heritage Trust for the North West to establish a way forward for the project. The Chief Executive of the Heritage Trust for the North West has stated that the Trustees of HTNW are fully committed to see the project through. The present set -back affords opportunities to review the work to ensure Lytham Hall is a sustainable, accessible facility enjoyed by all.

IMPLICATIONS	
Finance	<p>In August 2011 Fylde Council agreed a capital sum of £300k to support the Lytham Hall Heritage Restoration Project, which was paid in 2011/12.</p> <p>The latest unaudited accounts of the Heritage Trust for the North West (at 31 March 2015) show that at that date a sum of £131,108 of this grant remained unspent. It is anticipated that within the 2015/16 accounts this figure will be significantly reduced to reflect the additional expenditure incurred since March 2015.</p>
Legal	None at this stage
Community Safety	None
Human Rights and Equalities	None
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

LEAD AUTHOR	TEL	DATE	DOC ID
Darren Bell	01253 658465	16 th October 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
T & L committee agenda & minutes	7 January 2016	CMIS > Meetings Calendar
T & L committee agenda & minutes	12 November 2015	CMIS > Meetings Calendar
Cabinet agenda & minutes	15 January 2014	CMIS > Meetings Calendar
Cabinet agenda & minutes	27 June 2012	CMIS > Meetings Calendar
Cabinet agenda & minutes	28 June 2011	CMIS > Meetings Calendar
Council agenda & minutes	28 March 2011	CMIS > Meetings Calendar
Cabinet agenda & minutes	23 March 2011	CMIS > Meetings Calendar

Attached documents

1. (A) Heritage Trust for the North West – Report of the Trustees and unaudited financial statement for the year ended 31/3/15
(B) Heritage Trust for the North West – Report and financial statements for the year ended 31/3/15 (to follow)
2. Heritage Trust for the North West – Press release August 2016
3. Letter from Lancashire County Council to Heritage Trust for the North West regarding financial support for Lytham Hall
4. Governance information in relation to Heritage Trust for the North West