

# Delegated decision report

## DECISION UNDER DELEGATED POWERS

### DECISION CANNOT BE TAKEN BEFORE (APRIL 2018)

Title	<b>DINOSAUR ISLE – PROCUREMENT OF AN INVESTMENT PARTNER</b>
Report to	<b>REPORT OF THE CABINET MEMBER FOR RESOURCES AND CABINET MEMBER FOR ENVIRONMENT AND HERITAGE</b>

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## EXECUTIVE SUMMARY

1. This report seeks agreement to undertake a procurement process in order to bring forward a commercial partner/third party to invest in Dinosaur Isle, to maintain and grow the facility in the longer term whilst retaining accredited museum status. Accreditation compliant governance will be a mandatory requirement of the tendering process. The council is keen to ensure that the best approach is followed to achieve this goal.
2. The area of Culver Parade, Sandown where Dinosaur Isle is located is identified as a tourism opportunity area within the Island Plan and it is hoped that commercial investment in this facility will lead to a wider regeneration of this area of the Bay in line with the council's emerging regeneration strategy.
3. A procurement options paper is attached as Appendix 1 which sets out the process to date, options available and recommended approach. This report recommends that a procurement, under the Light Touch regime using the Light Touch Regime style process is progressed in line with the recommendation in Appendix 1.

## BACKGROUND

4. Dinosaur Isle is located on Culver Parade, Sandown and is part of an area identified in the Island Plan as the Sandown Tourism Opportunity Area (TOA) which was established to consider the future use of Isle of Wight Council and third party land. The area is largely tourism related leisure uses where constraints on development due to flooding restrictions have resulted in low levels of investment and uncertainty around its future.

5. The TOA recognises the challenges facing the Bay area, the town of Sandown, and the fact that Dinosaur Isle (a key attraction) requires significant investment due to its age and location in what is a hostile environment for a building of its construction. It is estimated that going forward some £850,000 of investment is required for repairs and maintenance and £1million to £2million in total if it is to be improved and modernised.
6. Given the budget challenges faced by the council it is unlikely that the authority will be able to prioritise the resources needed to address these issues on its own.
7. This project is seeking to identify a potential investment/development partner to modernise and expand Dinosaur Isle and advance the regeneration of the Bay area.
8. This project was initiated in May 2016 and has to date:
  - undertaken desk research and initial interviews with key stakeholders;
  - identified issues affecting the town and museum;
  - agreed aims and objectives;
  - quantified physical and financial risks facing the museum;
  - freed the site from conditions of grant funding;
  - liaised with Isle of Wight Council staff and management of the facility;
  - run a soft market test exercise;
  - held a follow-up stakeholder engagement day;
  - refined and agreed revised criteria for success;
  - produced the procurement options paper along with a range of underpinning documents.
9. In considering the future of Dinosaur Isle and its impact on the Bay area it has been important to recognise that the museum plays three roles:
  - A visitor attraction.
  - An educational centre.
  - A world renowned scientific resource and Accredited Museum.
10. It comprises the land, building, staff and volunteers, and the collection. Each needs specific attention and careful consideration of issues arising from potential partnerships. Collections staff would need to be employed by a governance body that is able to be accredited, while front of house staff could work for a commercial partner. Criteria established through consultation will be used as the basis for assessing proposals in the future so as to ensure an appropriate balance of qualitative elements (e.g. maintaining the museum's

accreditation), quantitative performance (e.g. an increase in visitor numbers) and wider public benefit.

11. This work also recognises there are other significant limitations such as planning constraints, the environmental sensitivity of the surrounding land, legal issues (such as the lack of clarity around 'ownership' of the different items in the collection), and the financial challenges of the authority in making investment decisions between statutory and non-statutory services.
12. Delivering a long term sustainable future for Dinosaur Isle is likely to require significant capital investment; and may require another party to take responsibility for part of the broader site with further expertise to maximise financial returns and/or reduce risk. There are various ways in which these needs could be met such as selling or leasing associated property, seeking loans or grants, or entering into a joint venture.
13. The council is interested in exploring the potential of a joint venture but is yet to decide what degree of financial support (if any) it will bring to such an arrangement. The idea of a joint venture was tentatively explored through a soft market testing exercise which elicited a meaningful response from a small but impressive selection of potential partners from the Island, mainland, Europe and as far afield as Australia.
14. The next stage is to agree how the council proceeds to bring forward this investment sourcing opportunity and following the work undertaken to date, it is recommended to then proceed with a procurement under the Light Touch Regime process (as described in paragraph 21 below) to identify a partner.
15. This will include undertaking further feasibility work on the use of other Isle of Wight Council land adjoining Dinosaur Isle and the potential for the council to remain involved in the future success of Dinosaur Isle as part of a partnership arrangement.
16. Accreditation compliant governance will be a mandatory requirement of this process. The Museums Accreditation scheme is operated by Arts Council England and sets nationally agreed standards for museums in the UK; it identifies good practice guiding museums to be the best they can be, for current and future users. It is internationally recognised as innovative, with over 1700 museums within the scheme. Accreditation is about professional standards of caring for, and using collections for the public benefit, it is about continuously improving what the museum does to benefit its collections and its users. Furthermore, it is about how the museum is managed and overseen, its financial health and its commitment to environmental and ethical standards. Accreditation demonstrates that the museum has met requirements for applications for funding from organisations such as the Heritage Lottery Fund.

## STRATEGIC CONTEXT

17. The council's corporate plan 2017 to 2020 seeks to deliver economic growth and prosperity with a key activity being to consider opportunities to secure

long term sustainable access to the Island's heritage. The potential investment and partnership approach to the future of Dinosaur Isle and this part of the Bay will help deliver this and ensure that available resources are used in the most effective way which is also a key objective of the council's strategic approach set out in the plan.

## THE PROCUREMENT PROCESS

18. Through engagement with potential bidders it has become clear that land nearby the museum (including additional parking) is seen as important to the success of a new visitor attraction as creating any further outdoor element would require additional space. As such, further work is required on the feasibility of including other Isle of Wight Council land including that which does not directly adjoin the site but sits to the north beyond Browns Golf Course.
19. Market engagement has shown that there are likely to be competing 'commercial' interests in partnering Dinosaur Isle and use of nearby land. As such any process used to select a preferred partner (including consortia) needs to be open and competitive so as to ensure best value and demonstrate public accountability. However, there is concern that traditional 'formal' processes can be inflexible and slow, and so a newer hybrid approach is required.
20. There may be important unknowns and still a wide range of potential operating models that seem viable and so it would be wise to explore these further before refining the council's options. However, delaying the process further is unlikely to generate much more useful further information as it has been interaction with others that has recently been of most value. As such, a process that enables this ongoing dialogue while progressing the actual procurement would be beneficial. The Light Touch Regime is a process that exists for exactly this purpose.
21. The Light Touch Regime applies to all services listed under Schedule 3 of the Public Contracts Regulations 2015 which includes museums. This process allows a greater degree of discretion in how the procurement process is undertaken which includes the ability to engage with the market and relevant stakeholders pre procurement. This has already taken pace via the workshops at Dinosaur Isle in October last year. The regime also provides the best method for considering options for the museum and its accreditation and could for example allow for its separation from the overall operation of the facility, if necessary. It also allows flexible use of any procurement procedure provided its gives equal treatment to all parties and is transparent. The Light Touch Regime is relatively new but sufficiently tested to be recommended as the way forward.
22. A timetable for the procurement process cannot be identified at this stage given the options that the Light Touch Regime provides however, including the development of the specification it is likely to be around 9-12 months.

23. The Light Touch Regime and any subsequent tendering process would require the formation of an evaluation panel and it is proposed that this panel would consider the procurement route and include representatives from the staff/management of Dinosaur Isle unless a staff led bid for the future operation of the facility was made.

## CONSULTATION

24. The council has undertaken a considerable amount of engagement with both local stakeholders and potential investors during the past 12 months in order to inform the process.
25. As part of 'soft market testing' the council held an event at Dinosaur Isle in October 2017 attended by more than 40 people from a range of interests. This was largely an opportunity to provide information to attendees and also enable a better understanding of the issues and challenges faced. As a result of this event it was agreed to hold further stakeholder meetings for both adjoining land owners and local interest groups and individuals. This was to enable a better understanding of the council's approach and help inform the development of success criteria that reflect both the original broad aims of the project and important ingredients in securing the museums ongoing success.
26. The council will continue to engage with stakeholders as the project moves forward.

## FINANCIAL / BUDGET IMPLICATIONS

27. The council manages the service delivered from Dinosaur Isle service and is responsible for its revenue budget and staffing. A condition survey of the building was completed recently which identified a requirement for around £850,000 to be spent on maintenance to ensure the building can both operate safely and is 'fit for purpose'. This covers both essential and desirable elements all of which are maintenance related. The council has already committed funds in its capital programme for works to elements such as external steel work repairs (£50,000) which is now underway, fire alarm (£30,000) and fire exit doors (£40,000) to enable the premises to operate safely.
28. While future commercial investment and partnering could result in savings to the council's revenue budget and future calls on the capital programme this cannot be quantified at this stage of the process and will be dependent on the nature of the partnership or relationship entered into by the council and the third party.
29. It is clearly desirable to work towards a solution that delivers a sustainable future for Dinosaur Isle while providing financial savings to the council given the continuing budget challenges.
30. Depending on the progress of discussions with interested parties through the Light Touch Regime there may be potential profit share or revenue share arrangements that could be agreed.

## CARBON EMISSIONS

31. Since 2009 Dinosaur Isle have worked hard in reducing their carbon emissions through both behavioural change and various energy efficiency measures, the most significant of which was reverting to localised heating of essential areas rather than whole site. The result of all these measures resulted in a halving of energy consumption down to approximately 76,000kWh (27tCO<sub>2</sub>e).
32. Disposal of this site would result in this energy being saved from the council's carbon footprint.
33. Refurbishment of the site and reverting back to whole site heating could see energy consumption reverting back to original levels with the corresponding increase to the council's carbon footprint

## LEGAL IMPLICATIONS

34. The council is required to achieve best consideration if any of the future proposals include the disposal of land. In addition the council is also required to undertake a lawful procurement process which is outlined in paragraph 19. Given the facility employs council staff there could be issues relating to TUPE or redundancy but whether such matters will be relevant cannot be known at this stage.

## EQUALITY AND DIVERSITY

35. The council, as a public body, is required to meet its statutory obligations as set out under the Equalities Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and foster good relations between people from different backgrounds. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Given the early stage of the process it cannot be determined whether there will be equality and diversity issues as a result of any proposal but an Equality Impact Assessment will need to be carried out when a detailed proposal is considered for recommendation.

## PROPERTY IMPLICATIONS

36. Dinosaur Isle is owned freehold by the council and was built with funding from the Millennium Fund in 2000. An existing charge against the premises was removed in 2017 following negotiations between the council and the Big Lottery Fund which is the legacy organisation responsible for Millennium Fund schemes across the UK. The removal of this covenant means the building is unfettered by any restrictions or financial penalties on disposal.
37. A condition survey carried out in 2017 identified around £850,000 of maintenance works and there is £120,000 in the current capital programme

for essential elements associated with the steel structure and fire requirements.

38. The value of the site is limited given its location which is vulnerable to both coastal and fluvial flooding and any partnership which would bring commercial investment to the building. This would reduce the council exposure to future costs as well as enable its limited capital programme to be focused on other premises and priorities.

### OPTIONS

39. The council has a range of options in considering the future of Dinosaur Isle which are best summarised as follows:
1. Maintain the museum as an in house facility (no change).
  2. Dispose of the site to an operator and control activity through the land transaction.
  3. To progress with a procurement under the Light Touch Regime for Dinosaur Isle as set out in Appendix 1 with a final document summarising the outcome and any resulting agreement with a partner(s) to be agreed by the Director of Regeneration and section 151 officer in consultation with the Cabinet Member for Resources and the Cabinet Member for Environment and Heritage.
  4. Close the building and dispose of the site on the open market.
  5. Consider the proposal from the Friends of Dinosaur Isle group to establish a trust and “not for profit” company to seek public funds and partnership investment.

Each of these options is considered in detail in Appendix 1.

### RISK MANAGEMENT

40. The council could continue to provide Dinosaur Isle as an in house service but there is a high risk that the future maintenance needs of the building (as highlighted in the condition survey) and the ongoing financial challenges of the authority could mean it is unable to provide the funding required to undertake. This would mean the building becoming unfit and unsafe for service delivery and could ultimately lead to its closure. While the risk could be mitigated by seeking to fund capital works from grant funds and other financial sources outside the council these are very limited. In addition, the council’s general budget pressures will inevitably lead to a focus on the delivery of the council’s statutory functions and future revenue savings may be sought from a range on non-statutory services including Dinosaur Isle.
41. The council could minimise the risk of an open market sale by disposing of the building on a leasehold basis, conditional on a range of issues to restrict and or control its future use. There is a high risk that in trying to control matters via a lease it restricts commercial interest in investing in the property which could mean that no suitable operator comes forward. In addition, trying to

ensure control via a legal document will lead to inflexibility and inability to deal with changing circumstances or future unknowns. There would also be a high risk that accredited museum status would be lost unless the lease was purchased by a local authority, museum or similar.

42. Closure of the building would be a last resort as it would render the future of the site uncertain and undermine the case for the regeneration of the Bay. It would also lead to wider reputation damage due to the loss of the facility given its international reputation. While there is the possibility that the building would be purchased by a group or organisation wishing to provide a museum type use this would be in competition with other commercial interests with a high risk that other interests would provide a more commercially advantageous bid. While an alternative use could enhance the regeneration of the area this is a high risk option given the council would be bound by ensuring best consideration and as an 'open market' sale would be duty bound to consider this as best price.
43. A procurement process via the Light Touch Regime would provide a logical next step following the soft market testing already undertaken by the council. The work to date has helped shape the next stages of the procurement process and will allow continued engagement with both potential investors and local stakeholders to enable the best outcomes. There is a risk that the Light Touch Regime process may raise conflicting issues but the process also ensures that these can be reflected on in an open way and where difficult decisions or choices have to be made there is clear audit trail as to how they are resolved.
44. The council could consider the trust option proposed by the Friends of Dinosaur Isle group but a trust has yet to be established and its lack of a track record in owning operating commercially focused facilities along with the timing associated in developing a business case and applying for e.g. Heritage Lottery funding loads this option with greater risk. It is possible that a more robust partnership of organisations may come forward to co-participate in the Light Touch Regime process.

## EVALUATION

45. Dinosaur Isle is an important facility both in terms of its place at the centre of the Island as an international centre of palaeontology and also as part of the wider regeneration of the Bay. It also has a range of stakeholders keen to see its long term future secured as an accredited museum.
46. As such it is critical that future of the facility is secured and given the financial challenges of the council that third party investment is sought. The soft market testing and stakeholder engagement meetings have indicated that there are investors and investment models that need to be explored and to achieve this, a procurement under the Light Touch Regime provides the best and most flexible approach to take this forward. This process will also allow the council to continue to engage with both potential investors and local stakeholders to enable the best possible outcome. While there is a risk that the process may not conclude with all required outcomes being delivered, it



provides the most transparent and equitable basis to ensure that all relevant matters are taken into account and is considered the best route to achieving the long term sustainability of the Dinosaur Isle.

**RECOMMENDATION**

47. Option 3 - That with regard to the requirement of maintaining museum accreditation that the council progress with a procurement under the Light Touch Regime for Dinosaur Isle as set out in Appendix 1 with a final document summarising the outcome and any resulting agreement with a partner(s) to be agreed by the Director of Regeneration and section 151 officer in consultation with the Cabinet Member for Resources and the Cabinet Member for Environment and Heritage.

**APPENDICES ATTACHED**

48. [Appendix A - Procurement Options Paper.](#)

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Decision

Signed

Date

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