

Title of meeting: Culture and City Development Decision Meeting

Date of meeting: 31 January 2020

Subject: Guildhall Trust Capital Release

Report by: Director of Culture, Leisure and Regulatory Services

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

- 1.1 To seek authorisation to change the terms of the capital grant of £285,000 currently allocated to The Guildhall Trust.
- 1.2 To present the business case to release £207,400 against this capital amount for the alternative capital expenditure listed in this report.

2. Recommendations

- 2.1 **That the current obligation for The Guildhall Trust to secure match funding against the capital grant of £285,000 be removed.**
- 2.2 **That a capital allocation of £207,400 be released from this capital grant already approved for The Guildhall Trust to invest in the capital items listed in this report.**

3. Background

- 3.1 In 2016 the Council awarded the Guildhall Trust a capital grant of £300,000 which was scheduled to be released upon confirmation of matched funding. The wording of the Council resolution makes reference to the funding being subject to leveraging in external funding.
- 3.2 In 2018 an initial payment of £15,000 was made from this allocation as a result of The Guildhall Trust successfully securing the agreed level of match funding to support the development of the Guildhall Studio space. This studio is now fully refurbished and operational and generating income. Therefore, £285,000 remains of the original capital allocated to The Guildhall Trust.

3.3 Cabinet Members, in consultation with the Section 151 Officer, have authority to vary capital schemes and their associated funding within their portfolio in order to manage any potential overspending or funding shortfall or to respond to emerging priorities.

3.4 In the financial year 2019/2020 there are 6 capital items to be purchased by The Guildhall Trust to respond to their emerging capital priorities.

The Guildhall Trust are requesting to utilise part of the capital fund PCC has already allocated to them to invest in specified capital items. The principles for all of these items are:

- Are an absolute business need
- Will generate revenue
- Will prevent revenue loss

3.5 The Guildhall Trust have presented a compelling business case justifying the financial need to switch the funding already allocated to them for an alternative capital expenditure. The amount requested for this release is £207,400. The purchase of some of these items will be a one off direct cash saving whereas others will generate ongoing savings and future income streams.

Capital Items

3.5.1 The Guildhall Trust have requested the release of a total of £207,400 against the original grant allocation to support the delivery of their operation and fund the undermentioned improvements planned for the 2019/20 and 2020/21 financial year. It is the case that some of these investments have already been actioned in 2019 with The Guildhall Trust already realising the benefits, others are still pending. The capital purchases are summarised in the table below:

Proposed Investment	Capital Cost
	£
PA System - purchase of rented system in currently use	96,400
IT System Upgrade	37,000
New Till System	17,300
New Website	19,200
New Loading Bay	14,400
New Auditorium Carpet	23,100
	207,400

3.5.2 The decision on the remaining amount of the original allocation, which is £77,600, will be made at a future date and this amount will remain in the capital programme until this time.

4. Reasons for recommendations

4.1 If the current obligation for The Guildhall Trust to secure match funding against the capital grant of £285,000 is removed, it will enable them to make immediate capital investments that will respond to the operational emerging priorities over the next five years to 2025.

4.2 If the capital allocation of £207,400 is released to invest in the capital items listed in this report, these items will prevent both revenue loss and generate further income streams to support their operation and growth over the next five years to 2025.

4.3 A summary of the business need and financial impact of these purchases is summarised below.

4.3.1 PA System - £96,400

Following the total breakdown of the 25 year old PA system in 2019, The Guildhall Trust hired equipment over a number of months, and this system is now available for sale. It is not possible to hire a similar system without incurring additional rental charges and therefore The Guildhall Trust wish to purchase this particular system that is currently under hire.

A high quality PA system is an absolute business need as concerts cannot be staged without a fully functioning reliable product delivering a quality experience. The income from concerts (including secondary spend) is a significant income generator and a high quality PA system is essential to achieve income targets and maintain the reputation of The Guildhall Trust.

There will be some small enhancements added to the system which will generate additional income as this can be charged as an 'add-on' to future hirers.

There will be a positive impact on the profit and loss account and cash position as future rental payments will not be required following the purchase of this system. This is the difference between the amount being paid now and the increased rental that would be expected by a new provider. In addition, income will be generated from the add-on system enhancements.

An independent professional valuation and condition survey to establish the remaining life of the system will be carried out before this is purchased.

4.3.2 **IT System Upgrade - £37,000**

The Guildhall Trust must be able to sell tickets, produce accounting and other statistical information, and make sales securely through its tills, as the basis of its operation. It is not possible to operate in the current technological climate without capable IT and secure internet facilities. The IT functionality needs to be able to service back office functions but also be robust enough to manage ticket sales with WIFI capability to run payment methods for 16 till points.

The new computer system is the basis upon which other projects such as the new website and new till systems, which are directly revenue generating, are co-dependant. In addition, upgraded internet lines allow the capture of data which can be used for marketing purposes, conversions from which, can drive revenues.

The release of the capital funding will be a direct credit to The Guildhall Trust's cash account. The impact on the profit and loss account is not easily quantifiable but undoubtedly will positively impact on upon sales and customer experience.

4.3.3 **New Till System - £17,300**

The tills are used to facilitate sales through bars, café and kiosk, and the venue cannot operate without them working effectively and efficiently. The speed of service is key before shows and at intervals and it is vital that all tills are in operational working order and are able to accept modern payment methods. These new till systems are in conjunction, and cannot be in place without, the upgraded IT.

The new till system will maximise speed of service. The reduction in waiting times means more customers can be served and will encourage customers to return for additional drinks. It is anticipated that the in-year benefit of the new tills will be (conservatively) an additional £15,000 to bar income.

4.3.4 **New Website - £19,200**

The direct revenue impact of impact of this purchase is difficult to quantify due to its integration with other parts of the organisation. The release of capital to fund this purchase will, however, have a direct impact on The Guildhall Trust's cash account balance. The website has been upgraded in 2019 and the Trust are already seeing the benefits of this.

The conference and events business is expected to continue to increase in 2020. It is the case, that part of this growth is due to the excellent reputation The Guildhall Trust enjoys for its conferencing service, it is estimated that there has been a 20% increase in enquiries through the website and the increase in revenue can be attributed to this new investment.

From a fundraising perspective, the website can be used to attract sponsors through clearer explanation of what the organisation delivers, demonstrate the numbers of people attracted, and the context of its charitable work. In return for sponsorship, sponsors can now see their organisation highlighted on the website which is an attractive option. The new website also contains links where people can directly donate to The Guildhall Trust.

Overall, since the new website was installed, there have been 141,054 visitors, with 35,110 of these 'engaged users' which is defined as a user that is engaged in the website as a whole and who therefore is more likely to take action or make a purchase. This is a 20% increase on previous figures.

4.3.5 New Loading Bay - £14,400

The loading bay is situated in the PCC car park at the rear of the Guildhall and is the method used by touring shows and large conferences to bring equipment into the venue.

The previous loading bay was deemed to have an immediate risk to life, this is a risk that could not be mitigated other than to install a new improved loading bay built to specification to mitigate the H & S risks identified.

The new loading bay installed in 2019 enables larger shows to be accommodated and negates the need for a temporary scaffolding bay to be constructed, which was requested by some touring acts, for which the Trust incurred a cost on each occasion.

The release of the capital funding will be a direct credit to The Guildhall Trust's cash account.

4.3.6 Auditorium Carpet - £23,100

The carpet on the ground floor of the main auditorium was installed in 1994, and is now 25 years old. As such, the carpet is in a poor state of repair. The carpet has to be lifted for certain events and there is currently used around 200 metres of tape to hold the carpet in place and to cover holes and corroded edges. The floor in the auditorium cannot be used without carpet for concerts, as it is required for acoustics. In addition, the floor underneath is not in a suitable condition to be exposed in many areas, and those that are, have not been suitably treated to add enough protection to the flooring materials.

For conferences and events, the carpet can be disappointing at show rounds, and the feedback from agents and potential customers is that the state of the carpet is a challenge to future business. In addition, it is estimated the carpet is lifted and replaced around 80 times per year, producing associated costs and is labour intensive. A new carpet, fit for purpose, would require less tape and man hours, and it is estimated that current cost would be reduced by two thirds.

As a more attractive venue, the conversion of (or retention of) one additional event per year would increase profit by around £15,000 (based on a multi-day and/or large headcount conference).

The installation costs of the carpet will be borne by The Guildhall Trust and the release of the capital funding will be a direct credit to the cash account.

5. Integrated impact assessment

5.1 An IIA has been attached to this report (appendix 1)

6. Legal implications

6.1 In respect of the pending items of capital expenditure, it is understood that funding would be released on receipt of evidence satisfactory to the Council, through the monitoring officer and finance team, that the Guildhall Trust has incurred the costs in relation to the items for which the capital funding has been agreed.

7. Director of Finance's comments

7.1 The release of this capital funding is important for the ongoing operation of the Guildhall Trust. It will provide additional cash for the business of £207,400, increasing income in existing and some new business areas whilst also providing some cost savings. This will strengthen the overall financial position of the Guildhall Trust.

7.2 All of these improvements demonstrate an absolute business need and provide opportunities to further develop The Guildhall Trust offer.

.....
Signed by:
Stephen Baily
Director of Culture, Leisure and Regulatory Services

Appendices

Appendix 1 - Integrated Impact Assessment

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Capital Programme 2015/16 - 2020/21 February 2016	https://democracy.portsmouth.gov.uk/documents/g2835/Public%20reports%20pack%2009th-Feb-2016%2014.00%20Full%20Council.pdf?T=10

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
Signed by:
Cabinet Member for Culture and City Development