

Agenda Item 25 – key decision

Cabinet

5 March 2014

THG/DL



Thelma Hulbert Gallery (THG) Business Plan – key decision

Exempt Information

Para 3 Schedule 12A Information relating to the finance or business affairs of any particular person.

Summary

This report includes the Business Plan recommended by a consortium of consultants commissioned with Arts Council funding. Their remit was to assess whether the THG has a viable future with reduced Council funding. The analysis is attached in the Business Plan in Appendix A.

Recommendation

Members agree:

- That charitable trust status is an appropriate next step and resource the transition period in order to achieve this
- That if the grant funding is available as a result of successful bids in 2014, to commit to annual funding and support in line with the three year Plan
- That the THG visual brand continues as is with further exploration of the full version becoming The Hulbert Gallery (as opposed to Thelma Hulbert Gallery)
- That the annual funding fee be reduced by 5% per annum for each of the next three years on a reducing balance basis

a) Reasons for Recommendation

At the 30 October 2013 Cabinet, Members agreed they wished to set the Gallery on a sustainable footing.

b) Alternative Options

The Gallery is operating on a very tight budget and remaining under the local authority umbrella subject to further budget cuts would mean it could not continue to operate. If members' intention is to both reduce the budget in future years and to help the Gallery remain a viable public art establishment, then I believe the business plan proposed is the best solution at this stage.

Members may, however, wish to explore further the option of including the Gallery in the existing Leisure East Devon Trust. This is explored to some extent in the Business Plan, and remains as a possible future option. However, the consensus currently amongst the consultants and staff is that a stand alone Trust is the preferred option as it would give the Gallery the most chance of success.

c) Risk Considerations

There are risks in that the charitable grants and funds sector is a competitive market and there are no guarantees. However, the Gallery has a strong national reputation and is recognised for its award winning work with the community. This next 12 months is crucial in understanding whether the Gallery will get the grant support it needs to grow its business (see the Timeline chart on the final page of the Survival Strategy). In terms of financial risk to the Council, my view is that this is low as it retains the opportunity in this budget year to make an informed choice/ decision. In terms of risk to the Council's arts and cultural offer in the District, this could be significant; unsuccessful grant bids this year may threaten the existence of the Council's only public art gallery and all the community benefits associated with it (see 30 October 2013 Cabinet report).

d) Policy and Budgetary Considerations

The Council has previously supported the principle of moving public services into the charitable sector and enabling the transition with officer/specialist help. The set up of a Trust and application for grants is critical in this transition stage. Aside from administrative and specialist legal and HR support, I think it is realistic to budget for two days extra fundraising resource between March and December and three days extra curatorial support from May to December. These two officer roles would cost in the region of an additional £20k. I am also considering the implications for withdrawing from the current planned exhibition in September 2014, the Devon Open Studios event, which would reduce this figure.

e) Date for Review of Decision

The 2015/16 budget round will be an important review point as by then I should be able to report on the success or otherwise of fundraising for the Education Post and additional Marketing/Fundraising resource.

1 Main Body of the Report

- 1.1 This is a critical point in the THG's history. The Council has committed in principle to supporting the Gallery if it is able to operate with less financial support from the Council in the future. The Business Plan attached to the report is the result of several months of detailed work by our consultants in assessing the potential for a viable operating model for the Gallery.
- 1.2 The Business Plan is detailed and comprehensive and makes quite clear the challenge ahead. The key next steps are captured in this report's recommendations and essentially mean:
 - a. The Council putting in the resource and time to enable the transition to charitable status.
 - b. Following this transition period, the Council to commit to a three year (reduced) funding agreement, including a peppercorn rent, business rates waver and upkeep of the building and grounds.
 - c. Increased education and marketing resource through grant funding should achieve the twofold ambition of making the THG less reliant on Council funding and increasing footfall and income to acceptable levels.
 - d. For the first time, staff have clear priorities in the marketing and fundraising strategies to concentrate their energies on making the THG a success.

1.3 By way of general update on the Gallery operations since the last report, the upward trend in income and footfall has largely continued in the right direction:

1.3a Comparative Shop and Exhibition Takings (2012 v 2013)

Month	2013	2012	Variation	Percentage
March	£969.52	£478.08	up	+103%
April	£1,450.94	£1,412.34	up	+2.7%
May	£2,780.06	£723.14	up	+284.4%
June	£418.87	£835.67	down	-49.9%
July	£1,848.06	£1,389.20	up	+33.0%
August	£1,933.62	£915.45	up	+111.2%
September	£1,604.90	£764.30	Up	+110.0%
October	£1,209.43	£1,206.43	Up	+0.2%
November	£3,585.02	£3,077.31	Up	+16.5%
December	£2,518.79	£2,869.65	Down	-12.22%

Jan-Dec 2013 Shop sales = £17,152.38
 Jan-Dec 2012 Shop sales = £12,803.08
 represents £4,349.30 more in takings over previous 12 months

1.3b Comparative Visitor Figures (2012 v 2013)

Month	2013	2012	Variation	Percentage
March	457	485	down	-5.8%
April	556	639	down	-13.0%
May	462	487	down	-5.1%
June	424	410	up	+3.4%
July	810	587	up	+38.0%
August	686	608	up	+12.8%
September	706	457	Up	+54.5%
October	769	584	Up	+31.7%
November	496	507	Down	-2%
December	533	387	Up	+37.7%

1.3c Monthly Stats: January 2014

Jan Visitor Figures = 339 Jan 2013 = 228
 (UP 49% on previous year)

Young People = 35 Jan 2013 = 25
 (UP 40% on previous year)

Jan Shop sales = £786.30 Jan 2013 = £321.04
 (UP 145% on previous year)

Jan Donations = £152.00 Jan 2013 = £68.46
 (UP 122% on previous year)

1.4 In addition, IntoLACE was our second best attended exhibition ever, we will soon be announcing another prestigious award for the Gallery, we have an art auction in the pipeline to raise money and we have a definite commitment on room hire for Adult and Community learning.

Legal Implications

Members may wish to consider making provision within the THG budget for any necessary legal support to comply with charitable and other legal requirements. Currently accountancy, but not legal costs have been provided for. While the business plan suggests a solicitor is appointed to the management board, such a role may well focus on development/monitoring rather than 'nuts and bolts' legal work.

Financial Implications

The 2014/15 budget for the Thelma Hulbert Gallery is gross expenditure of £149,420 and income of £24,600 giving a net cost to the Council of £124,820 (2013/14 £117,920).

This budget includes running costs of Elmfield House (for which the Gallery is sole occupier) in relation to rates, utilities and cleaning but maintenance costs of the building are outside this budget. In 2014/15 there is an estimate of £4,500 for property maintenance of the House and a capital budget of £50,000 for a boiler replacement in the building.

A detailed business plan is included within the report which if delivered reduces the net cost to the Council to £67,991 for 2015/16, reducing to £60,159 in 2016/17 and £53,204 in 2017/18. The main driver of this reduction in subsidy from the Council is a significant increase in external funding; total external income 2014/15 £24,600 to be increased in the business plan to £95,933 in 2015/16. This income comprises in significant part from grant funding which has no certainty attached to it, but there is some confidence expressed in Plan. The proposal is to set up THG as charitable trust in 2014/15 in order to apply for grants in time for 2015/16 financial year with the outcome on the key early funding streams being known hopefully by December 2014. If these funding streams at that stage are unsuccessful then the business plan success does appear doubtful.

The Plan and above figures assume the use of Elmfield House as a free asset to the Charity with the Council continuing to be liable for maintenance costs.

The report requests further funding in 2014/15 of £20,000 for additional staffing costs to help facilitate the work required in setting up a Trust and to start putting in the necessary steps identified in the business plan. This sum is not currently in the draft budget proposal and if approved it is suggested this is met from the Council's Transformation Fund.

For completeness members should be aware that Elmfield House as a guide has a capital value in the order of £275,000 to £350,000 in terms of an alternative use value (dwelling/s) – August 2012 valuation date. Alternatively a potential office space rental value of £12,000 to £15,000 a year.

Consultation on Reports to the Cabinet

Consideration by the Arts and Culture Forum
SMT

Background Papers

- Survival Strategy 2014/15 – 2017/18 (provided electronically)
- THG budget – detailed breakdown (provided electronically)
- [Previous report to Cabinet 30 October 2013](#) – agenda item 21

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Cabinet
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