

**TITLE OF REPORT: NORTH HERTFORDSHIRE MUSEUM & COMMUNITY FACILITY AT HITCHIN TOWN HALL**

REPORT OF THE STRATEGIC DIRECTOR OF CUSTOMER SERVICES & PROJECT EXECUTIVE

PORTFOLIO HOLDER: COUNCILLOR TONY HUNTER

**1. SUMMARY**

- 1.1 The North Hertfordshire Museum and Hitchin Town Hall Project was designed to provide a Museum facility which meets customer expectations, reduces operating costs and, in doing so, provide a sustainable operating model for the Hitchin Town Hall Gymnasium & Workman's Hall Trust. The project also provides for the refurbishment of Hitchin Town Hall to enhance and provide a long term future for this important heritage asset.
- 1.2 The contractual dispute between NHDC and Hitchin Town Hall Ltd has been reported on a number of occasions and the current status was subject to a detailed report to Council on 16 July 2015.
- 1.3 Following consideration of that, this report is presented to Cabinet to consider Council's request to approve the necessary revenue budget subject to a review of the operating model within three years of opening. The report also provides further detail of the operating model currently being developed to allow the opening of the Town Hall in the late autumn of 2015.

**2. RECOMMENDATIONS**

Cabinet is recommended to:

- 2.1 Agree the revenue budget to operate the Town Hall detailed in paragraphs 8.1, 8.2 and 10.3.
- 2.2 Endorse the approach to the operational model and note that this will be subject to review within three years of opening.
- 2.3 Note that any major variation to the agreed approach would be subject to approval by Cabinet or Council.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 The recommendations contained within paragraph 2 are made in accordance with the decision of Council on 16 July 2015.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 The alternative options considered were detailed in the report to Council on 16 July 2015. This report develops the option agreed by Council.

## 5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 Consultation has been carried out with the Portfolio Holder for Community Engagement & Rural Affairs.

## 6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key decision and has not been published in the Forward Plan as it is concerned with implementing Council's (non executive) decision to operate the Town Hall at its meeting on 16 July 2015.

## 7. BACKGROUND

- 7.1 The decision making history of this project is fully set out in the background papers in para 16.

- 7.2 At its meeting on 10 March 2015 Council resolved at minute no 78:

- (1) That the Capital Budget be increased by a maximum of £253,392 [£223,392 project budget (paragraph 8.4) plus £30,000 for treatment of moisture in basement (paragraph 8.6)];*
- (2) That, in the event of Hitchin Town Hall Limited not being in a position to make its contractual financial contribution of £490,000 at the likely completion of the construction contract in May 2015 (paragraph 8.3), this additional proportion of the capital cost of the project will need to be funded from Council resources;*
- (3) That any implications on 2014/15 and 2015/16 capital budgets as a result of profiling project spend be reported in the third quarter capital monitoring report; and*
- (4) That further reports be submitted in due course identifying any additional budgets necessary to complete the project.*

- 7.3 Following this, at its meeting on 16 July 2015 Council resolved at minute 37:

- (1) That Council not agree to the proposals to vary or replace the Development Agreement submitted by Hitchin Town Hall Ltd.;*
- (2) That officers be instructed to serve notice on Hitchin Town Hall Ltd terminating the Development Agreement in the event of non-payment of their capital contribution and, subject to this,*
- (3) It be agreed that NHDC will operate the Town Hall directly in accordance with the general provisions of the Development Agreement, and that Cabinet be requested to approve the necessary revenue budget and reviews this operating model within three years of opening and, subject to this,*
- (4) It be agreed that that capital expenditure to a maximum of £138,000 be earmarked for the fit out of the Town Hall.*

- 7.4 In accordance with minute 78 (4) of the meeting of Council on 10 March 2015 and minute 37 of the meeting of Council on 16 July 2015 this report outlines the request to

Cabinet to approve necessary revenue budget and outlines the operational model pending a review of these arrangements within three years of opening.

## 8. NORTH HERTFORDSHIRE MUSEUM & COMMUNITY FACILITY AT HITCHIN TOWN HALL

### Revenue Budget

8.1 The provisional estimate of revenue expenditure and income was reported to Council on 16 July 2015. This estimate represented revenue expenditure and income for a full year of operation and costs were based on market research, assumptions made on the projected utilisation of the Town Hall using the model outlined in the Development Agreement and an assumed charging regime arising from this. At this stage no allowance has been made for:

- Franchising/licensing provision of bar
- Performing Rights Licencing etc
- Business rate liabilities
- Internal recharges
- Profiling income to reflect the 'start up' of active sales and marketing

8.2 As outlined in 8.1 at this stage no allowance has been made to reflect the fact that bookings, events etc have yet to be fully developed or marketed and an element of risk arises from this. It is likely that it would take some time to generate such business and this was an assumption made in Hitchin Town Hall Ltd's financial model. For comparative purposes the overall operating surplus projected by Hitchin Town Hall Ltd from first full year of operation to the third full year rose from £88k to £177k excluding loan etc repayments.

<b>Town Hall Income</b>		
Events	£	45,000.00
Hires	£	151,855.00
Office Rental	£	5,000.00
<b>Kitchen/Café Income</b>		
Kitchen/Café	£	90,000.00
Vending	£	46,800.00
<b>Total Income</b>	£	<b>338,655.00</b>
<b>Town Hall Expenditure</b>		
Staffing	£	50,862.00
Maintenance & Energy	£	26,088.00
Marketing & Events	£	35,000.00
Other	£	5,050.00

<b>Kitchen/Café Expenditure</b>		
Staffing	£	44,324.00
Maintenance & Energy	£	22,965.00
Kitchen/Café Stock	£	40,500.00
Vending Stock	£	21,060.00
Marketing	£	1,500.00
Other	£	4,012.00
<b>Total Expenditure</b>	£	<b>251,361.00</b>
<b>Net Profit/Loss</b>	£	<b>+ 87,294.00</b>

Table 1 –Hitchin Town Hall estimated Income and Expenditure Projections – NHDC managed Option

### Capital Expenditure

- 8.3 The capital costs reported to Council on 16 July 2015 reflected the full costs of internal fit-out of the Town Hall and in accordance with the responsibilities set out in the Development Agreement. These are summarised in table 1 below.

<b>Area</b>	<b>Capital Budget</b>	
Café and Kitchen	£	64,563.27
Admin Office	£	1,540.00
Lucas Room	£	13,200.00
Mountford Hall	£	38,435.00
General	£	20,246.75
<b>Total</b>	£	<b>137,985.02</b>

Table 2: Hitchin Town Hall estimate Capital expenditure

- 8.4 The capital estimate represents the maximum required and will be confirmed once an approach to events, catering etc has been determined. To ensure that capital works to the café and kitchen are completed and ready for when the building opens to the public, officers have commenced work in this area as any slippage could impact on the overall programme.

### Programme & Pricing Approach

- 8.5 An indicative programme for the Town Hall together with projected utilisation rates and the formative charging regime appear as Annex 1 and 2. It should be stressed that both are still subject to further development. These estimates have been drawn up on the basis that NHDC's operation of the Town Hall will mirror that anticipated in Hitchin Initiative's original business plan and in line with the broad intentions of the original Development Agreement which was agreed by Council on 11 November 2010.

*'Hitchin Town Hall will be attractive to a wider range of hirers of Halls for Hire, if energetically marketed/promoted. The vision of HI will be to combine a range of uses which serve the local residential and business community by short-term mostly daily*

*hiring's of spaces. Flexibility to accommodate a varied programme on competitive terms will be a key part of the offer. Uses to be developed include: Marriage ceremonies and wedding celebrations; anniversary and memorial events; dance, movement, fitness and exercise of various sorts; conferences for 30 to 200 people; business training; corporate entertainment; educational and other youth projects; private receptions; professional examinations; community and public meetings; award ceremonies and use by voluntary and statutory agencies. As with any successful venue the Project will be alert to emerging uses HI is committed to developing differential charging to offer reduce hire fees to local community and charitable groups. HI will seek a diversity of uses in order to operate in several market niches and in order to develop an inclusive range of uses across as many sectors of the community as possible.'*

[Source: Hitchin Initiative Draft Business Plan for Hitchin Town Hall, Council November 2010]

*'Within the figures we have shown at section 7 we have made an allowance..... to accommodate the subsidised use of the Mountford Hall and or Lucas Room by existing community users, other hirers will be charged at the prevailing competitive commercial rates.'*

[Source: Hitchin Initiative Draft Business Plan for Hitchin Town Hall, Council November 2010]

- 8.6 It is acknowledged that the approach to hiring policy, both programming and price, will need to be flexible to ensure community use can receive an appropriate subsidy. Consideration will need to be given to hiring charges for events which, for example, are operated on a commercial basis but also provide a community benefit and other permutations. Thus, the indicative programme of activities and pricing schedule differentiate between hiring and use as follows:

- Profit: use by NHDC or operator contracted by NHDC to generate 'profit'
- Private: use by individuals or organisations for private use excluding profitable activities
- Community: subsidised use for community benefit in accord with the Council's identified priorities

### **Community Engagement**

- 8.7 In order to ensure engagement in the development of the programme for the Town Hall and to provide a forum for future liaison, it is envisaged that a Town Hall users group be established during the course of the autumn.

## **9. LEGAL IMPLICATIONS**

- 9.1 Cabinet has responsibility for agreeing policies and strategies other than those reserved to Council. Strategic decisions relating to Museums and Halls are not reserved to Council but in this case because of the scale and costs of the project Council has determined the approach. Having resolved to operate the Town Hall in the absence of Hitchin Town Hall Ltd, Cabinet is now asked to agree a revenue budget to implement Council's decision that NHDC manage the Town Hall and review operational arrangements within three years of opening. Routine operational management decisions including usage and pricing policy will be dealt with under approved delegations to Officers and will be made in consultation with the appropriate Portfolio Holder(s). Any major variation to the agreed approach would be subject to the

agreement of Cabinet or Council and changes in the overall level of charges will be subject to the direction set in the Council's Budget Policy.

- 9.2 The authority has power under section 144 of the Local Government Act 1972 to provide, or encourage any other person or body to provide, facilities to encourage visitors, for conferences, trade fairs and exhibitions or improve, or encourage any other person or body to do so for any existing facilities. It has powers under section 19 of the Local Government (Miscellaneous Provisions) Act 1976 to provide recreational facilities, buildings, equipment, supplies or other assistance. To the extent these do not cover the current proposals then the General Power of Competence under section 1 of the Localism Act 2011 gives a local authority the power to do "anything that individuals generally may do for the benefit of the authority, its area or persons resident in its area.

## 10. FINANCIAL IMPLICATIONS

- 10.1 Following Council's decision to directly operate the Town Hall and the allocation of the capital budget to enable this any further revisions required to the capital budget as costs are finalised will be highlighted to Cabinet within the quarterly capital monitoring reporting.
- 10.2 The estimated revenue direct costs and income generated from NHDC managing the Town Hall included in the body of this report are based on a twelve month activity period. The impact on the General Fund in financial year 2015/16 will be dependent on the date from which the Hitchin Town Hall is operational. The current expectation is an opening date in late Autumn 2015 with a full quarter of activity occurring in financial year 2015/16.
- 10.3 While the business rates liability and some licensing costs remain unknown, as identified in paragraph 8.1, all other gross direct expenditure incurred against the General Fund is estimated to total £67k in financial year 2015/16. A breakdown of this estimate is provided in table 3 below. While the corresponding level of income generated in the first quarter is less certain, the £67k total can be considered to represent the maximum net liability to NHDC in 2015/16 for those expenditure items listed, with any further spend required funded from related income generated from activities at Hitchin Town Hall. The target is however for NHDC to achieve a net surplus on operating activities in 2015/16 in line with the full year cost and income estimates provided in table 1 (paragraph 8.2).

	Estimated Gross Direct Expenditure 2015/16	
	2015/16 (Opening quarter)	Full Year Estimate
<b>Town Hall Expenditure</b>		
Staffing	£12,700	£50,900
Maintenance & Energy	£5,400	£26,100
Marketing & Events	£14,300	£35,000
Other	£700	£5,100

<b>Kitchen/Café Expenditure</b>		
Staffing	£11,200	£44,300
Maintenance & Energy	£5,700	£23,000
Kitchen/Café Stock	£10,100	£40,500
Vending Stock	£5,300	£21,100
Marketing	£800	£1,500
Other	£800	£4,000
<b>Total Expenditure</b>	<b>£67,000</b>	<b>£251,500</b>

Table 3: Hitchin Town Hall direct cost estimates in 15/16

- 10.4 The full year estimated costs from activities at Hitchin Town Hall included in table 3 will be subject to further review as part of the Corporate Business Planning process in setting the budget for 2016/17. The Hitchin Town Hall and Café budgets included in the General Fund estimates for 2016/17 and future years will include all apportioned overhead costs as well as any update required to direct cost estimates.

## 11. RISK IMPLICATIONS

- 11.1 The financial risks and opportunities from managing the Town Hall will be monitored through the capital and revenue monitoring process mentioned in section 10.
- 11.2 There are a number of operational risks from managing the facility. These include generating the anticipated levels of income; ensuing adherence to the hiring policy (programming and price); facilities management and staffing. A written assessment of these and other identified risks will be made and wherever possible mitigating actions put in place.

## 12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 12.2 that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 The proposals made in this report do not in themselves alter the overall project design as previously reported, but seek to ensure that in ensuring momentum to the existing contracts etc, a facility to meet the needs of all communities in North Herts can be completed and brought into community use. The report also suggests consideration of management arrangements which will be subject to the Public Sector Equality Duty.
- 12.4 For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities

implications; this will take place following Cabinet's agreement of any additional investment by NHDC.

### **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report do not yet constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12. Any individual award of a public service contract which may arise following subsequent review of the Council's operation of the hall over the next two/three years will be evaluated in terms of its social value through the Council's procurement processes.

### **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 The Human Resources implications arising from this report are associated with the significant additional workload on the Project Team Members and the need to recruit, train and manage a staff team to operate the Town Hall. This is currently mitigated by the reallocation of resources from less time sensitive projects but this situation cannot be sustained over a long period.
- 14.2 The demands of this project have required the temporary transfer of Senior Managers and Project Support staff to the Hitchin Town Hall project to develop alternative options and to minimise risk. The additional time having to be committed to this project including that of Chief Officers has created pressures and delays on other important work programmes elsewhere.
- 14.3 The approach outlined in this report provides additional management. These resources if approved would help manage the additional workload described above.
- 14.4 The Museum staff have already been through a restructure and formal consultation process that included the possibility of the staff working on the Town Hall as well as the Museum. Communications with staff to update them on the latest position will follow.

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## **16. APPENDICES**

- 16.1 Annex 1: Indicative programme of Events.
- 16.2 Annex 2: Projected Utilisation & Income Figures for Hitchin Town Hall.

## **17. BACKGROUND PAPERS**

- 17.1 Report to Cabinet 23<sup>rd</sup> August 2005 on the Findings of the Review of the North Herts Museums Services.
- 17.2 Report to Cabinet 27<sup>th</sup> January 2009 on the Future of Museums Services.
- 17.3 Cragg Management Services report on the possible relocation of North Hertfordshire Museums to Hitchin Town Hall- Annex 2, Cabinet 19<sup>th</sup> May 2009
- 17.4 Report to Council on 3<sup>rd</sup> December 2009: Hitchin Town Hall/Museum Feasibility Study Outcomes and Actions Arising
- 17.5 Report to Council on 11<sup>th</sup> February 2010: Hitchin Town Hall/Museum Community Group Proposal
- 17.6 Report to Cabinet on 28<sup>th</sup> September 2010: Hitchin Town Hall/ Museum Proposals

- 17.7 Report to Council on 10<sup>th</sup> November 2010: Hitchin Town Hall/ Museum Proposals
- 16.8 Verbal update to Council on 7<sup>th</sup> April 2011: North Hertfordshire Museum & Community Facility at Hitchin Town Hall
- 17.9 Report to Cabinet on 26<sup>th</sup> July 2011: North Hertfordshire Museum & Community Facility: Project Update
- 17.10 Report to Council on 10<sup>th</sup> May 2012: North Hertfordshire Museum & Community Facility
- 17.11 Report to Council: 15<sup>th</sup> October 2012 North Hertfordshire Museum & Community Facility
- 17.12 Report to Council 23<sup>rd</sup> April 2013 North Hertfordshire Museum & Community Facility: Proposal for the Inclusion of 15 Brand Street
- 17.13 Report to Council 8<sup>th</sup> August 2013 North Hertfordshire Museum & Community Facility: Proposal for the Inclusion of 15 Brand Street
- 17.14 Report to Overview & Scrutiny Committee 18<sup>th</sup> December 2014 Development Agreement: North Hertfordshire District Council & Hitchin Town Hall Ltd
- 17.15 Report to Cabinet 27<sup>th</sup> January 2015: North Hertfordshire District Council & Hitchin Town Hall Ltd: Project Update
- 17.16 Report to Council 12<sup>th</sup> February 2015: North Hertfordshire District Council & Hitchin Town Hall Ltd: Project Update
- 17.17 Report to Council 10<sup>th</sup> March 2015: North Hertfordshire District Council & Hitchin Town Hall Ltd: Project Update
- 17.18 Report to Council 16 July 2015: North Hertfordshire Museum & Community Facility at Hitchin Town Hall
- 17.19 Hitchin Town Hall proposed budget and working papers 16.07.15 version 2.0