

Assessment of “Hall Retained Scheme” - Hitchin Initiative & “Gym Retained Scheme” - for Community & Culture – Hitchin Town Hall

October 2010



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Executive Summary

- 1.1 Strategic Leisure (SL) was appointed by North Hertfordshire District Council (NHDC) to undertake an assessment of the “Hall Retained Scheme” – Hitchin Initiative and the Gym Retained Scheme for Community & Cultural Plan for the future management and operation of the Hitchin Town Hall.
- 1.2 Built in 1901 and centrally located, Hitchin Town Hall is an historic and impressive venue for a wide variety of functions. Wedding receptions, parties, conferences, business training sessions, dances, theatre and music groups, special interest groups, sales and much more all take place in the venue.
- 1.3 The facilities include a large theatrical hall with a sprung floor and proscenium stage, the stately Lucas Room, a bar area and a large kitchen. The spacious gym, together with changing room facilities, is also available for hire, and can also be used for children's parties. The ground floor of the building is on one level, save for the bar and the kitchen. There is no lift to the second floor.
- 1.4 In order to ‘test’ whether the proposed “Hall Retained Scheme” - Hitchin Initiative and the “Gym Retained Scheme” for Community and Culture business plans are feasible a number of questions need to be asked:
 1. **Does the plan include 3 years of accurate and realistic cash flow projections? What comments or concerns exist about these projections?**
 2. **Are the cash flow statements supported by realistic financial assumptions?**
 3. **Are the sales projections realistic and supported by research? What concerns exist regarding forecasted sales and income?**
 4. **Are the costs for the business realistic?**
 5. **Has a sink fund been included?**

Evaluation Summary- Hall Retained Scheme

- 1.5 The “Hall Retained Scheme” business plan for Hitchin Town Hall provides for 3 years of accurate and realistic cash flow projections. The sensitivity analysis on income shows the affect on the business plan when income is not achieved. Main Comments are:
 - a. **Need to discuss the discretionary rate relief.**
 - b. **Agree that the sink fund becomes a priority from Year 2 onwards.**
 - c. **The repairs and maintenance budget is moved to marketing in the first quarter of year 1.**
- 1.6 We do have concerns about the current economic climate and proposed spend per head. However the facility will not be up and running until 2012 by then there may well be an improvement in the current economic climate. The Manager will be on performance related pay and will be responsible for marketing and attracting events and activities to the facility. Close monitoring of the business plan will allow for corrective actions to be taken as soon as possible if necessary.
- 1.7 The cash flow statements can be traced back to workings containing weekly and monthly usage and a number of realistic assumptions have been introduced to the plan.
- 1.8 The sales projections are supported by research using the current usage of the facility and projecting this usage in the future. A sensitivity analysis has been undertaken showing increase in 5%, 10%, 15% and 20% per annum and decreases in 5%, 10%, 15% and 20% per annum.

- 1.9 There is going to be an ageing population and this will need to be understood by the management of the facility when programming activities. It is recommended that monitoring of key performance indicators is undertaken as part of any agreement to ensure the success of the facility.
- 1.10 The costs for the business appear to be realistic and a sink fund to ensure that future maintenance of the building occurs has been built into the financial plan.

Evaluation Summary- Gym Retained Scheme

- 1.11 The “Gym Retained Scheme” Business Plan has taken the safe route by projecting savings on expenditure from existing budgets and playing safe with income by using current lettings and museum income. On this basis there is very little risk involved with this business plan.
- 1.12 Main Comments are:
- 1. Need for a marketing budget if an increase in usage is to be achieved in the future.**
 - 2. Need to consider a reduction in corporate overheads and consider a sink fund for future major capital expenditure.**
- 1.13 The cash flow statements can be traced back to workings containing weekly and monthly usage and a number of realistic assumptions have been introduced to the plan.
- 1.14 The sales projections are supported by research using the current usage of the facility.
- 1.15 The costs for the business appear to be realistic but a sink fund to ensure that future maintenance of the building occurs has needs to be built into the financial plan.

Comparison and Risks Associated with “Hall Retained Scheme” and “Gym Retained Scheme” Business Plans.

- 1.16 The “Hall Retained Scheme” and “Gym Retained Scheme” business plans are difficult to compare as the Hall Retained Scheme is a business plan working with growth and the “Gym Retained Scheme” Business Plan is a safe business plan working with a standstill budget and cash flow.
- 1.17 The table below identifies the main differences’ within the two business plans:

Table 1.1: The main differences’ within the two business plans

	Hall Retained Scheme	Gym Retained Scheme
Location of Museum	Gymnasium	Mountford Hall with Mezzanine Floor
Management	<p>Lease the site as one entity, but managed in partnership with the Museums and Galleries Team at the Council.</p> <p>The Hitchin Initiative proposal would like the Councils Museum and Galleries Team to undertake operation of the site during Museum opening hours with additional responsibility for building maintenance and service provision.</p> <p>Whilst Hitchin Initiative will operate the Café and Catering facilities supporting</p>	<p>With the agreement of Hitchin Town Hall Workman’s and Gymnasium Trust the site will be managed as one entity, with the Museums and Galleries team taking over responsibility for hall hire and management of the site.</p> <p>Possibly maintain 90% of the current regular use</p> <p>Income form lettings is retained by NHDC</p>

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	Hall Retained Scheme	Gym Retained Scheme
	<p>the complex as well as being responsible for hall hire and marketing of the new venue, and would require a three way agreement to be put in place form HI, NHDC and the Trust.</p> <p>It would be possible to retain a large majority of the existing groups. Hitchin Initiative considers the best location for the Museum is the gymnasium as the size of the gymnasium is restricted and is far smaller than the size recommended for most indoor sporting activities. It is best suited for fitness and martial arts classes at a recreational level.</p> <p>Income from lettings are taken by HI to fund financing, and extra costs arising from additional hire.</p>	
Café/Bar	Café franchised and the Bar managed by Community Group.	Franchised completely
Investment	Additional Investment of £800,000 on top of required capital input (estimated £3.4M) from the Council to hopefully be funded from 'Community Builders Fund'. This funding would be used to acquire joining shop and deliver an improved foyer and café bar area	No additional investment on top of required capital input (estimated £3.4M) for refurbishment.

- 1.18 The Gym Retained Scheme provides the Council with less financial risk.
- 1.19 However, if the Council wishes to take a decision which is more consistent with the emerging Government's vision of the 'Big Society'. Which was outlined in the recently released Strategy 'Building a Stronger Civil Society', which states how the Government plans to empower communities, open up public services and promote social action. Then the "Hall Retained Scheme" business plan, despite the associated risks of achieving spend per head and income targets may well be the way forward.
- 1.20 Because both business plans have been developed in parallel, with the "Hall Retained Scheme" business plan being developed to address specific differences to the base "Gym Retained Scheme" costings it is expected that more savings can be found if the "Halls Retained Scheme" is progressed when area of overlap between the "Gym Retained Scheme" and the "Hall Retained Scheme" are addressed. There would however, be a loss of income from the lettings in the Gym Retained Scheme business plan which also needs to be taken into account.
- 1.21 There is an assumption that the funding for the NHDC Museums service on this site will operate to cover much of the overall building and staffing costs. The Community Scheme is entirely dependant upon NHDC agreeing to operate and fund the Museum Service on this site.
- 1.22 There would need to be discussions around how the overall building is to be managed, leasing arrangements of premises, utility costs and discretionary rate relief for Hitchin Initiative. In addition who will be responsible for building maintenance etc?

1.23 The table below identifies the risks and consequences of the project in terms of the business plans.

Risks and Consequences

Table 1.2: Risks and Consequences

Unique Risk Number	Risk Description	Consequence
1	Hitchin Initiative not able to source required additional funding £800K	Funding shortfall will impact on deliverability of the scheme and/or other funding streams
2	North Herts District Council reviews Capital spending and decides not to spend capital receipt on Hitchin Town Hall	Funding shortfall will impact on deliverability of the scheme and/or other funding streams
3	North Herts District Council decides not to operate a Museums service at this site	Opportunities for staffing of building and transfer of budgets to cover operating costs impact on deliverability of both schemes
4	ability and sustainability of Hitchin Initiative when in new facility due to under recovery of income	North Herts District Council liable for building
5	Hitchin Initiative status and qualification for Community Interest Company (CIC)	Hitchin Initiative failure to secure CIC status
6	Cost of refurbishment project when tender comes in over budget	Financial implications on overall project
7	Museums Service will not deliver improvements	Impact on the Council's and Museums Services reputation
8	Loss of hirers during refurbishment phase due to the hirers finding alternative Venues	Loss of future income
9	Increase in use by Hitchin Initiative for events may increase the number of complaints from neighbours and premises license could be lost	Financial implications for delivery of the business plan
10	Failure to franchise the café in both plans	Financial implications for delivery of the business plan for Community and Culture and Hitchin Initiative
11	North Herts District Council does not apply discretionary rate relief to Hitchin Initiative	Hitchin Initiative failure to deliver business plan to the level as planned

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Unique Risk Number	Risk Description	Consequence
	CIC.	

2 Introduction

- 2.1 Strategic Leisure (SL) was appointed by North Hertfordshire District Council (NHDC) to undertake an assessment of the “Hall Retained Scheme” – Hitchin Initiative and the Gym Retained Scheme for Community & Cultural Plan for the future management and operation of the Hitchin Town Hall.
- 2.2 Built in 1901 and centrally located, Hitchin Town Hall is an historic and impressive venue for a wide variety of functions. Wedding receptions, parties, conferences, business training sessions, dances, theatre and music groups, special interest groups, sales and much more all take place in the venue.
- 2.3 The facilities include a large theatrical hall with a sprung floor and proscenium stage, the stately Lucas Room, a bar area and a large kitchen. The spacious gym, together with changing room facilities, is also available for hire, and can also be used for children's parties. The ground floor of the building is on one level, save for the bar and the kitchen. There is no lift to the second floor.

Background

- 2.4 The North Hertfordshire Museums Fundamental Service Review (FSR) agreed at the meeting of Cabinet on 23rd August 2005 recommended that a new museum for the district, located in a town centre, be established. It was not prescriptive as to where it should be and what it should include as significant investment would be involved although substantial revenue savings were predicted. The lack of compliance with Disability Discrimination Act (DDA), poor display storage facilities and public toilet provision and limited ability to cater for school parties in the existing Museum buildings were seen as key limitations on the service, to be rectified when the new museum is established.
- 2.5 The savings envisaged bringing the Council's expenditure on this service more in line with authorities of a similar size to be sustainable. The target was set by reducing the annual service budget by £125,000 per annum in the medium to long term, to be achieved through efficiencies in building operating costs and removal of duplication of staffing (i.e. two museums sites moving to one). To date £24,130 has been delivered as a result of operational efficiencies.
- 2.6 The recommendation to move from two Museums to one was partly driven by the need to invest large sums of money into both the existing museum buildings to make them fit for purpose. This investment was considered uneconomical, and was therefore discounted by the FSR team.
- 2.7 The Service & Financial Planning process (2005/06) approved the saving of the running costs of the Council managing Hitchin Town Hall, as £58,000 in 2007/08 and thereafter. However as a decision on an application for external funding as part of a joint working proposal with Hitchin Initiative to manage the Town Hall was not being made until 31st March 2008, provision was made to continue the revenue support for the Town Hall for the full financial year 2008/09. The net working budget for covering the direct costs of operating Hitchin Town Hall in 2009/2010 has since increased to £76,460 per annum, and remains with NHDC.
- 2.8 A Project Board was established to develop a business case for the capital projects identified within the Museum improvement plan; initially this Board worked on developing a business case for a new collections centre as a pre-cursor to consolidating two museums in to one.
- 2.9 However, at its meeting on 27th January 2009, Cabinet considered a report of the Heads of Community Development & Cultural Services and Financial Services which provided information on a proposal to change the timescale for the closure of a museum, envisaged by the Museums FSR, in order to provide additional potential efficiencies to help produce a balanced budget for 2009/10.
- 2.10 This report also outlined the work undertaken to look at possible alternative sites and how Hitchin Town Hall site was identified as the preferred option for more detailed study.

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2.11 At the Council's meeting on 3rd December 2009, Council resolved:

"That, before considering whether or not to progress this project, the whole matter be deferred to the next meeting of Council on 4 February 2010, to allow proposals from community groups who have previously expressed interest to be submitted, examined and reported on;"

2.12 The above was subsequently deferred to a special meeting of Council on 11th February 2010.

2.13 At the meeting of North Hertfordshire District Council on 11th February 2010 Members considered an initial assessment of the proposal developed with the community groups to 'proof of concept' stage, a brief technical appraisal of the proposal in comparison to the original proposal considered in December 2009 and a request that Members provide direction on the next steps and resolved:

"That the Community Group proposal, as detailed in the report, be explored further by commissioning a full feasibility study as indicated in Para 6.2, in order to enable a full comparison to the current preferred option and also allow the Community Group to prepare a business plan for the facility and present firm funding proposals. The above to be brought back to Council, via Cabinet, at the first available opportunity after completion of the feasibility study, which is estimated to be 4 months."

2.14 The Council agreed a number of general assumptions with the Community Group; these are:

- **That the building would continue to operate as a single entity in most respects underpinned by a management agreement between the Town Hall Gymnasium Trust, Hitchin Initiative Community Group and NHDC which would be responsible for the overall management of the site.**
- **That the Community Group (or its successor) would lead on developing the programming, marketing and operation of the community facility.**
- **That NHDC estimated operating budgets and assumptions would apply to the Community Group proposal other than for income projections.**
- **That the Community Group would develop a corporate body to manage its elements of the enterprise, perhaps through a new community interest company based on the existing corporate structure of the Hitchin Initiative.**

3 Hitchin Town Hall Business Plan Assessment

Introduction

3.1 In order to 'test' whether the proposed "Hall Retained Scheme" - Hitchin Initiative and the "Gym Retained Scheme" for Community and Culture Business plans are feasible a number of questions need to be asked:

- 1. Does the plan include 3 years of accurate and realistic cash flow projections? What comments or concerns exist about these projections?**
- 2. Are the cash flow statements supported by realistic financial assumptions?**
- 3. Are the sales projections realistic and supported by research? What concerns exist regarding forecasted sales and income?**
- 4. Are the costs for the business realistic?**
- 5. Has a sink fund been included?**

"Hall Retained Scheme" Business Plan produced by Hitchin Initiative

- 3.2 The "Hall Retained Scheme" business plan is based on modification of Hitchin Town Hall. The Gymnasium would be used, together with the additional footprint of the adjacent shop to provide a two story open plan Museum Exhibition area, enlarged open café area and much improved access and public circulation space. The Lucas room is also retained. A local history studies centre will be established within the ground floor of the museum adjacent to the café. A large education room will be established which will allow activities for school parties of all ages. The gymnasium roof will be lifted high enough to provide for a first floor area to be constructed. The Café will have an open aspect and provide a welcome entrance to the entire facility which will be particularly enticing to passers by. The bar would be operated by the Community Group and the Café by a franchise.
- 3.3 The Initiatives scheme seeks to purchase 14 Brand Street, which, following demolition and rebuilding, would provide a widened, impressive access and foyer to the new combined Town Hall and Museum facility.
- 3.4 The enhanced scheme would require an application to the "Community Builders Fund" for £800,000 to bridge the funding gap between the current preferred option and the Initiatives enhanced proposal.
- 3.5 The "Hall Retained Scheme" seeks to energetically market/promote the new facility with a full time Manager on performance pay. It is the intention to combine a range of uses which serve the local residential and business community by short term mostly daily hiring's of spaces. Usages to be developed include: Marriage ceremonies and wedding celebrations, anniversary and memorial events; dance; movement; fitness and exercise, 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.
- 3.6 Hitchin Initiative with the agreement of Hitchin Town Hall Workman's and Gymnasium Trust will lease the site as one entity, but managed in partnership with the Museums and Galleries Team at the Council. The "Hall Retained Scheme" proposal would like the Councils Museum and Galleries Team to undertake operation of the site during Museum opening hours with additional responsibility for building maintenance and service provision whilst the "Hall Retained Scheme" would operate the Café and Catering facilities supporting the complex as well as being responsible for hall hire and marketing of the new venue.

Financial Plan Assessment

- 3.7 The financial summary includes 3 years of cash flow projections. The Financial Summary Year 1 projections start as Q2 (Quarter 2). Year 1 Quarter 2 begins 1st April 2012 and runs through to the following March. Appendix 1. Shows the financial summary for the "Hall Retained Scheme."
- 3.8 There are a number of assumptions that contribute to this financial plan:

Revenue Assumptions

Weekly Lettings

- 3.9 The opening times of Hitchin Town Hall are as per current NHDC opening times - 7.00am – 6.00pm and 6.00pm – 12.00pm evenings. The NHDC standard rates and commercial rates have been utilised and Monday to Friday rates allow for some group rates to increase by 20%.
- 3.10 The weekly income includes current existing bookings for the Mountford Hall and Lucas Room with an additional weekend hire of 2 hours in the Lucas room. It must be noted that no regular Sunday bookings have been included. There is an ability to attract additional income at some stage on Sundays. However, this could be at the detriment to event bookings.
- 3.11 The current usage (Footfall) has been based on current weekly bookings. £1.50 per head bar spend has been assumed against the current footfall.
- 3.12 The financial plan assumes minimal growth after year 1.

Event Hire

- 3.13 The financial plan has an annual plan for events and is worked through for each quarter on this basis. This considers a lower income in year 1 but builds in income over the next two years.
- 3.14 The income for weekly lettings and events is considered to be reasonable and achievable.
- 3.15 In addition to the weekly lettings and event hire the financial plan show an income from a small office let.

Catering Income

- 3.16 The catering income is broken down into three areas:
- **Event Beverages Gross Profit**
 - **Bar Beverages Gross Profit**
 - **Food Franchise**
- 3.17 Event Beverages spend per head has been worked through on spends per head varying from £2.00 - £10.00 depending on the type of event. The bar income has been worked through on the basis of attendees multiplied by average spend % 50% x event per quarter.
- 3.18 The bar beverage gross income has been worked through on weekly footfall with spend per person assumed at £1.50. No account has been taken of museum footfall for catering or bar income. This would bring additional income.

3.19 The financial plan identifies a franchise for the food outlet paying in year 1 £13,615. Research into the current rental market in Hertfordshire for Café Coffee Bars identified the following:

- **Café seating 28 person's £13,000 rental per annum**
- **Café Coffee Bar seating 24 person's £14,000 rental per annum**
- **Café Coffee Bar seating 20 person's £13,100 rental per annum**

3.20 The figure of £13,615 in the Hitchin Initiative financial plan is seen as being achievable the businesses plan states seating for 40.

Inflation

3.21 The financial plan takes into consideration inflation the assumptions are:

- **Year 1 2%**
- **Year 2 2.5%**
- **Year 3 2.5%**

Expenditure

Staff Costs

3.22 The staff costs take into consideration a Venue Manager and a performance related sum of money for the Venue Manager. Other staff costs include Caretaker costs and bar staff and cleaner costs. The additional cost for bar staff and cleaners when major events are occurring has also been addressed. This means that Hitchin Initiative will always have a minimum of two staff at events and will also be responsible for the sale of alcohol at events and will be in a position to close the bar if necessary at any time.

Business Rates

3.23 The financial plan assumes a 20% payment of business rates, with 80% business rate relief. Hitchin Initiative propose to set up as a Community Interest Company (CIC). A CIC is not entitled to mandatory Business Rate Relief but the local authority can apply discretionary rate relief if it so wishes. An agreement on business rate relief will need to be clarified earlier rather than later if this financial plan is to be successful.

3.24 The bigger footprint of the building will require some additional business rates. This should be covered within the figure allowed given the small scale of additional foot print impact.

3.25 The management operating model with NHDC operating the building will probably not allow the Community Interest Company to obtain Rate Relief. Strategic Leisure believes that rate relief will only be obtained if Hitchin Initiative managed the building. Advice on the operating models will need to be considered.

Other Expenditure

3.26 The items of Repairs and Maintenance, cleaning and cleaning supplies, refuse collection, insurance, stationary, printing, advertising, marketing, communications and computing, equipment and maintenance of equipment are all covered with reasonable expenditure attributed to these items of expenditure.

- 3.27 The first quarter in year 1 has no marketing costs attributed to it but this can be rectified by moving repairs and maintenance costs in year 1 first quarter to cover marketing. There will be little if any maintenance costs if the building is refurbished before opening as the majority will be covered by warranty.
- 3.28 Expenditure also covers the loan repayments to Community Builders if Hitchin Initiative is successful with their bid for capital funds. In addition the financial plan identifies additional repayments and interest payments. A sink fund has also been identified providing for a sum of £3,067

3 Year Financial Summary

- 3.29 The 3 year financial summary is shown in the table below:

Table 3.1: The 3 Year Financial Summary

	Year 1	Year 2	Year 3
Income	£162,657	£194,220	£212,568
Expenditure	£165,122	£175,204	£188,862
Surplus/deficit	- £2,465	+£19,016	+£23,706

- 3.30 Year 1 is showing a small loss and Years 2 and 3 are showing a surplus of £19,016 and £23,706 respectively.
- 3.31 If the sink fund was delayed until Year 2 then a small surplus could occur in Year 1 £602.

Sensitivity Analysis

- 3.32 Hitchin Initiative has produced a sensitivity analysis showing increase in 5%, 10%, 15% and 20% per annum and decreases in 5%, 10%, 15% and 20% per annum.
- 3.33 The table below shows the affect of the 5%, 10%, 15% and 20% decreases on income for Years 1, 2 and 3 on the proposed business plan. Year 1 identifies a loss no matter what percentages are applied. Year 2 starts to show a loss when 20% is applied and year 3 stays within budget when all percentages are applied.
- 3.34 It will be necessary to monitor the actual budgets on a regular basis to ensure the business stays at a minimum of breakeven.

Table 3.2: Sensitivity Analysis

Sensitivity Analysis – Decrease in Income	Year 1	Year 2	Year 3
-5% Income	- £ 6,906	+ £13,987	+ £18,012
-10% Income	- £11,344	+ £ 8,958	+ £12,319
-15% Income	- £15,784	+ £ 3,929	+ £ 6,625
-20% Income	- £20,223	- £ 1,100	+ £ 931

Evaluation Summary

- 3.35 The “Hall Retained Scheme” business plan for Hitchin Town Hall provides for 3 years of accurate and realistic cash flow projections.

- 3.36 The sensitivity analysis on income shows the affect on the business plan when income is not achieved. Main Comments are:
- (i) Need to discuss the discretionary rate relief.**
 - (ii) Agree that the sink fund becomes a priority from Year 2 onwards.**
 - (iii) The repairs and maintenance budget is moved to marketing in the first quarter of year 1.**
- 3.37 We do have concerns about the current economic climate and proposed spend per head. However the facility will not be up and running until 2012 by then there may well be an improvement in the current economic climate. The Manager will be on performance related pay and will be responsible for marketing and attracting events and activities to the facility.
- 3.38 Close monitoring of the business plan will allow for corrective actions to be taken as soon as possible if necessary.
- 3.39 The cash flow statements can be traced back to workings containing weekly and monthly usage and a number of realistic assumptions have been introduced to the plan.
- 3.40 The sales projections are supported by research using the current usage of the facility and projecting this usage in the future. A sensitivity analysis has been undertaken showing increase in 5%, 10%, 15% and 20% per annum and decreases in 5%, 10%, 15% and 20% per annum.
- 3.41 There is going to be an ageing population and this will need to be understood by the management of the facility when programming activities. It is recommended that monitoring of key performance indicators is undertaken as part of any agreement to ensure the success of the facility.
- 3.42 The costs for the business appear to be realistic and a sink fund to ensure that future maintenance of the building occurs has been built into the financial plan.

“Gym Retained Scheme” Business Plan produced by Community and Culture Service Officers of NHDC.

- 3.43 The Gym Retained Scheme Business Plan sets out details relating to the regeneration of Hitchin Town Hall as a refurbished museums and community venue, not only to serve the people of Hitchin and its rural hinterland but also the wider district. It would become the only NHDC operated museum.
- 3.44 The “Gym Retained Scheme” business plan is based upon the modification of Hitchin Town Hall to incorporate a new museum into the main hall space (Mountford Hall) which will have a mezzanine floor added but at the same time retain community usage of the gymnasium and Lucas room. In addition a franchised Bar/Café would serve the users of the whole facility.
- 3.45 With the agreement of Hitchin Town Hall Workman’s and Gymnasium Trust the site will be managed as one entity, with the Museums and Galleries team taking over responsibility for hall hire and management of the site.
- 3.46 Following completion of the refurbishment, Hitchin Town Hall will be relaunched as a venue offering two rooms for hire with greatly improved facilities and appeal, in addition to allowing a much improved museum facility.

Financial Plan Assessment

- 3.47 The financial summary includes 3 years of cash flow projections. Appendix 2. Shows the financial cash flow summary for the Gym Retained business plan.

- 3.48 There are a number of assumptions that contribute to this financial plan:

Revenue Assumptions

Weekly Lettings

- 3.49 The opening times of Hitchin Town Hall are 9am – 9pm 12 hours operation per day 52 weeks a year operation. Hire charges at standard rate (i.e. commercial rates and charitable rates net off).
- 3.50 Current financial modelling shows retained income from Lucas Room and Gymnasium from regular hirers of £12,000 per annum. This is the expected income from hire of halls although assuming maximum utilisation at 80% for the Lucas Room and Gymnasium equates to £39,274 per annum at the current rental charges.
- 3.51 It is not proposed to increase hire charges based upon the refurbishment works.
- 3.52 There are no plans to introduce charging for general museums admissions. However, there will be opportunities to secure income to off set its costs relating to exhibitions and from commission on sales arising from these.
- 3.53 The financial plan does not assume any growth after year 1.

Catering Income

- 3.54 The current business plan shows no fit out costs for this area have been included as the assumption is that this cost will be borne by the franchisee and this area will be cost neutral. Stevenage Leisure Ltd has confirmed that the financial assumptions made by NHDC about the ability to franchise and operate such a facility at zero cost over the three year period are realistic.

Inflation

- 3.55 The financial plan does not take into consideration inflation:

Expenditure

Staff Costs

- 3.56 It is assumed that museums administration staff will absorb some of the work and cost of administering the bookings and lettings and in overseeing lettings during museum normal opening hours. However, to service the regular evening and weekend hires in the current room hire programme a Front of House staffing resource of 26 hours per week plus an additional 5.2 hours for 30 days for casual cover has been included.
- 3.57 Assumptions are that Hitchin Town Hall always has at least one member of NHDC staff on site when in use by the public. For weekday evenings this will normally be the Front of House employee working on their own. This is because the building will be in use by regular and therefore trusted hirers.
- 3.58 However, at weekends and/ or for any weekday evening functions where the hirer is unknown, and or alcohol related is being consumed on site there will always be at least two NHDC staff on site throughout the event. There will still be Saturday opening of the museum.
- 3.59 The staff costs assume the Venue Manager role will be undertaken by the Cultural Services Manager.

- 3.60 The business plan looks at the savings from amalgamating the museums service onto one site and a reduction in existing staffing at the Town Hall due to the museums staff carrying out the lettings role and management of lettings whilst the museum is open.

Other Expenditure

- 3.61 The items of Repairs and Maintenance, cleaning and cleaning supplies, refuse collection, insurance, stationery, printing, communications and computing, equipment and maintenance of equipment are all covered with reasonable expenditure attributed to these items of expenditure based upon existing budgets. However, items of savings have been identified from amalgamating the museums service onto one site.
- 3.62 There are no current marketing costs allocated within the three year cash flow plan.
- 3.63 There is no identified sink fund to address any major capital expenditure in the future following the refurbishment of Hitchin Town Hall.

3 Year Financial Summary

- 3.64 The 3 year financial summary is shown in the table below:

Table 3.3: The 3 Year Financial Summary

	Year 1	Year 2	Year 3
Income	£19,532	£19,532	£19,532
Expenditure	£623,786	£623,786	£623,786
Net Expenditure	- £604,254	- £604,254	- £604,254

- 3.65 Years 1 2 and 3 are showing a net expenditure of £604,254 respectively.
- 3.66 The net expenditure includes corporate overheads of £237,692. This includes £57,110 capital depreciation. After capital depreciation £180,582 (28.89%) of the net expenditure (£604,254) covers corporate overheads.

Sensitivity Analysis

- 3.67 Community and Culture have stated in their business plan that a maximum achievement of 80% lettings would achieve an income of £39,274 per annum based on existing fees and charges.

Evaluation Summary

- 3.68 The “Gym Retained Scheme” Business Plan has taken the safe route by projecting savings on expenditure from existing budgets and playing safe with income by using current lettings and museum income. On this basis there is very little risk involved with this business plan.
- 3.69 Main Comments are:
- 1. Need for a marketing budget if an increase in usage is to be achieved in the future.**
 - 2. Need to consider a reduction in corporate overheads and consider a sink fund for future major capital expenditure.**
- 3.70 The cash flow statements can be traced back to workings containing weekly and monthly usage and a number of realistic assumptions have been introduced to the plan.
- 3.71 The sales projections are supported by research using the current usage of the facility.

- 3.72 The costs for the business appear to be realistic but a sink fund to ensure that future maintenance of the building occurs has needs to be built into the financial plan.

Comparison and Risks Associated with “Hall Retained Scheme” and “Gym Retained Scheme” Business Plans

- 3.73 The “Hall Retained Scheme” and “Gym Retained Scheme” business plans are difficult to compare as the Hall Retained Scheme is a business plan working with growth and the “Gym Retained Scheme” Business Plan is a safe business plan working with a standstill budget and cash flow.
- 3.74 The table below identifies the main differences within the two business plans:

Table 3.4: The main differences within the two business plans

	Hall Retained Scheme	Gym Retained Scheme
Location of Museum	Gymnasium	Mountford Hall with Mezzanine Floor
Management	<p>Lease the site as one entity, but managed in partnership with the Museums and Galleries Team at the Council. The Hitchin Initiative proposal would like the Councils Museum and Galleries Team to undertake operation of the site during Museum opening hours with additional responsibility for building maintenance and service provision whilst Hitchin Initiative will operate the Café and Catering facilities supporting the complex as well as being responsible for hall hire and marketing of the new venue, and would require a three way agreement to be put in place form HI, NHDC and the Trust.</p> <p>It would be possible to retain a large majority of the existing groups. Hitchin Initiative considers the best location for the Museum is the gymnasium as the size of the gymnasium is restricted and is far smaller than the size recommended for most indoor sporting activities. It is best suited for fitness and martial arts classes at a recreational level.</p> <p>Income from lettings are taken by HI to fund financing, and extra costs arising from additional hire.</p>	<p>With the agreement of Hitchin Town Hall Workman's and Gymnasium Trust the site will be managed as one entity, with the Museums and Galleries team taking over responsibility for hall hire and management of the site.</p> <p>Possibly maintain 90% of the current regular use</p> <p>Income from lettings is retained by NHDC</p>

	Hall Retained Scheme	Gym Retained Scheme
Café/Bar	Café franchised and the Bar managed by Community Group.	Franchised completely
Investment	Additional Investment of £800,000 on top of required capital input (estimated £3.4M) from the Council to hopefully be funded from 'Community Builders Fund'. This funding would be used to acquire joining shop and deliver an improved foyer and café bar area	No additional investment on top of required capital input (estimated £3.4M) for refurbishment.

- 3.75 The Gym Retained Scheme provides the Council with less financial risk.
- 3.76 However, if the Council wishes to take a decision which is more consistent with the emerging Government's vision of the 'Big Society'. Which was outlined in the recently released Strategy 'Building a Stronger Civil Society', which states how the Government plans to empower communities, open up public services and promote social action. Then the "Hall Retained Scheme" business plan, despite the associated risks of achieving spend per head and income targets may well be the way forward.
- 3.77 Because both business plans have been developed in parallel, with the "Hall Retained Scheme" business plan being developed to address specific differences to the base "Gym Retained Scheme" costings it is expected that more savings can be found if the "Halls Retained Scheme" is progressed when area of overlap between the "Gym Retained Scheme" and the "Hall Retained Scheme" are addressed. There would however, be a loss of income from the lettings in the Gym Retained Scheme business plan which also needs to be taken into account.
- 3.78 There is an assumption that the funding for the NHDC Museums service on this site will operate to cover much of the overall building and staffing costs. The Community Scheme is entirely dependant upon NHDC agreeing to operate and fund the Museum Service on this site.
- 3.79 There would need to be discussions around how the overall building is to be managed, leasing arrangements of premises, utility costs and discretionary rate relief for Hitchin Initiative. In addition who will be responsible for building maintenance etc?
- 3.80 The table below identifies the risks and consequences of the project in terms of the business plans.

Risks and Consequences

Table 3.5: Risks and Consequences

Unique Risk Number	Risk Description	Consequence
1	Hitchin Initiative not able to source required additional funding £800K	Funding shortfall will impact on deliverability of the scheme and/or other funding streams
2	North Herts District Council reviews Capital spending and decides not to spend capital receipt on Hitchin Town Hall	Funding shortfall will impact on deliverability of the scheme and/or other funding streams

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Unique Risk Number	Risk Description	Consequence
3	North Herts District Council decides not to operate a Museums service at this site	Opportunities for staffing of building and transfer of budgets to cover operating costs impact on deliverability of both schemes
4	Viability and sustainability of Hitchin Initiative when in new facility due to under recovery of income	North Herts District Council liable for building
5	Hitchin Initiative status and qualification for Community Interest Company (CIC)	Hitchin Initiative failure to secure CIC status
6	Cost of refurbishment project when tender comes in over budget	Financial implications on overall project
7	Museums Service will not deliver improvements	Impact on the Council's and Museums Services reputation
8	Loss of hirers during refurbishment phase due to the hirers finding alternative Venues	Loss of future income
9	Increase in use by Hitchin Initiative for events may increase the number of complaints from neighbours and premises license could be lost	Financial implications for delivery of the business plan
10	Failure to franchise the café in both plans	Financial implications for delivery of the business plan for Community and Culture and Hitchin Initiative
11	North Herts District Council does not apply discretionary rate relief to Hitchin Initiative CIC.	Hitchin Initiative failure to deliver business plan to the level as planned

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