

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
12 June 2012

Subject: COMMUNITY ASSET TRANSFER HAMBLETON FORUM

**All Wards
Scrutiny Committees
Portfolio Holder for Leisure and Health: Councillor P R Wilkinson**

1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of this report is to appraise Members of the proposal to transfer the management of the Hambleton Forum to a community group, and for Members to make a decision regarding timescales for that proposal.

2.0 DECISIONS SOUGHT:

2.1 To make a decision regarding the transfer of the Hambleton Forum, to a not for profit company Limited by Guarantee with effect from 1 August, with a start up grant of £70,000.

3.0 BACKGROUND:

3.1 Representatives of users of the Hambleton Forum have established a Forum User Group (FUG) which has been looking at the feasibility of the management of the Forum transferring to a voluntary organisation.

3.2 This work progressed to a stage such that public consultation exercises were held in July 2011 and March 2012 which aimed to do four things:-

- a) Raise public awareness of the proposals
- b) Recruit more volunteers
- c) Establish any concerns or opportunities raised by the public
- d) Engage the public in the process.

3.3 The results of this public consultation were a general agreement with the direction of travel; a list of issues, both concerns and opportunities; and 50+ volunteers putting themselves forward for various roles.

3.4 FUG has also undertaken a considerable amount of research, has developed a detailed project plan, and has prepared a detailed Business Plan (a full copy of which is in the Members' Lounge, a summary of which is attached at Annex A).

3.5 The net estimated cost of the Forum operation to the Council for 2012/13 is £45,370.

4.0 PROPOSALS:

4.1 FUG intend to establish themselves as a not for profit company, Limited by Guarantee, and also to seek charitable status. It is to this organisation that the Council would Lease the building for a period of 25 years.

4.2 The financial proposals are that the Council would provide:-

- a) A revenue sum equal to 1.5 years of operational costs - £70,000, as a start up grant.
- b) The Council would undertake work needed to hand over the Hambleton Forum in good operational order. This is estimated to cost £28,000 and will be found from within existing budgets.
- c) The Council will invest £22,000 into the new cinema equipment currently on loan at the Hambleton Forum which is needed to help sustain income levels for the future, and it is suggested this be found from within the current Capital Programme.

4.3 The Funding and Management Agreement will provide FUG with a high level of operational freedom in order to allow it to flourish, but at the same time it will protect the Council's interests for both the long term future of the building and immediate issue such as use for elections and storage of shared use cherry-picker equipment.

4.4 The Council will be responsible for structural and external maintenance. The not for profit organisation will be responsible for maintaining everything else. A condition survey and an inventory are currently being prepared.

5.0 LINK TO CORPORATE PRIORITIES:

5.1 This report links to the Council's financial strategy in so far as it will reduce the council's revenue costs in the medium to long term.

6.0 RISK ASSESSMENT:

6.1 Risk in approving the recommendations

There are no significant risks.

6.2 Risk in not approving the recommendations

Risk	Implication	Prob*	Imp	Total	Preventative action
Means the Council will retain the Hambleton Forum operation	Misses the opportunity to both save cash and improve the service	4	4	16	Ensure handover with a smooth transition giving the new management the opportunity to flourish

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

Overall the risk of agreeing with the recommendations outweighs the risks of not agreeing them and is considered acceptable.

7.0 SUSTAINABILITY IMPLICATIONS:

7.1 In the short term the impact on sustainability will be neutral. FUG in the longer term will most likely seek to reduce running costs by improving energy efficiency or through the application of micro generation technologies.

7.2 The social effects will be neutral as the intention of the transfer is to retain the services currently provided by the Forum.

7.3 In the medium to long term both the financial and social implications should improve as the cost to the Council will reduce whilst FUG will be empowered to improve social opportunities.

8.0 STAFFING IMPLICATIONS:

8.1 The current establishment is structured around 1 x full time member of staff and 5 x casual staff working as and when needed.

8.2 The Forum User Group's Business Plan envisages an entirely new staffing arrangement and discussions are taking place with current staff concerning voluntary redundancy. If this is possible the total cost implication to the Council will be £10,500.

9.0 FINANCIAL IMPLICATIONS AND EFFICIENCIES:

9.1 The following table outlines the revenue implications:

	2012/13	2013/14	2014/15	2015/16
	£	£	£	£
One Off Revenue Subsidy	70,000	-	-	-
Staffing Implications	10,500	-	-	-
Refurbishment Work	28,000	-	-	-
	<hr/>			
	108,500	-	-	-
Financed By::	<hr/>			
Service Improvement Reserve	80,500	-	-	-
Existing Revenue Budgets	28,000	-	-	-
	<hr/>			
	108,500	-	-	-
	<hr/>			

9.2 This will result in annual savings of £45,370 giving a pay back period of 1.5 years on the revenue subsidy of £70,000 and is consistent with the subsidy given on the transfer of the public conveniences and The World of James Herriot.

9.3 The effect on the Budget Outlook of the transfer of this service is to increase the predicted budget surplus as follows:

	2012/13	2013/14	2014/15	2015/16
	£	£	£	£
Expected Revenue Budget Surplus	131,600	220,970	163,230	163,080
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Removal of Hambleton Forum Budget	+30,250	+45,370	+45,370	+45,370
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Revised Surplus	161,850	266,340	208,600	208,450
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9.4 The Capital Implications are:

	2012/13	2013/14	2014/15	2015/16
	£	£	£	£
Capital Investment	22,000	-	-	-
Financed From:				
Capital Programme	22,000	-	-	-

9.5 Best value will need to be demonstrated. A valuer's report should be obtained to show that leasing the Forum to a volunteer led organisation is the best value option for the Council.

10.0 LEGAL IMPLICATIONS:

10.1 The Council will need to develop a Funding and Management Agreement to be entered into with FUG. This will provide a framework to monitor that services for the community are retained as anticipated and contain appropriate recovery clauses to allow the Council to regain control of the management of the Forum should circumstances require it. There will be no ongoing services offered by the Council in this Agreement.

10.2 A Lease will also be required which is tied into the Funding and Management Agreement. Given FUG may require a 25 year Lease to be able to attract capital funding the Council should contract out of the Landlord and Tenant Act 1954 to avoid issues with security of tenure.

In granting a 25 year Lease at a peppercorn the Council will in effect be disposing of an asset at less than its market value.

10.3 The exact value will be reported at the meeting. Government consent is required for such a disposal. A General Consent exists for disposals of less than £2m provided the Council is satisfied that the disposal is in the social, environmental or economic interests of the community. It is suggested that the ongoing economic, and social viability of the Hambleton Forum is a sufficient benefit.

11.0 EQUALITY/DIVERSITY ISSUES:

11.1 The Council's approach to equality and diversity would transfer to the new management organisation.

12.0 RECOMMENDATIONS:

12.1 It is recommended to Council that:-

- (1) the operation of the Hambleton Forum is transferred to a not for profit organisation from 1 August 2012;
- (2) the Council provides a start up grant of £70,000 and this be funded from the Service Improvement Reserve;
- (3) the Council's property at the Hambleton Forum be leased to a not for profit organisation for a 25 year period;
- (4) the voluntary redundancy costs of £10,500 be funded from the Service Improvement Service; and

- (5) the investment of £22,000 in new cinema equipment be funded from the Council's Capital Programme.

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Background papers: None
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120612 HambletonForum (CommunityAssetTransfer)

Hambleton Forum
FORUM USER GROUP
BUSINESS PLAN

2012-2016

May 2012

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Hambleton Forum Business Plan

Introduction

Hambleton Forum is a multi-purpose venue built in 1975 as a community centre. The Main Hall is a performance venue seating up to 400 people, with a stage, retractable raked seating, lighting, sound, and backstage dressing rooms. It is the only venue within Northallerton that can meet the technical requirements of the numerous performing societies that put on a variety of shows. Likewise it is the only venue that is furnished with digital projection equipment capable of showing the latest releases at a standard equivalent to multiplex cinemas.

There are also several other rooms with a variety of potential uses. The Forum is principally a letting space hired by performing societies, dance troupes, sports clubs, educational and social organisations, as well as individuals and community groups. For instance the University of the Third Age (U3A) use the Forum as a hub for a wide variety of education and social activities. It is also used by NYCC for the provision of supported learning. It is also the only venue in the town centre which has a Changing Places standard toilet allowing the venue to accommodate people with profound and multiple learning disabilities and their carers.

On a number of occasions since 1975 the future of the facility has come sharply into focus, its financial performance requiring a significant subsidy from the Council to cover operating losses. This financial reality is no different today, and with the current pressures on Council finances a more sustainable future under community management is being sought.

The premise underlying this business plan is that a community organisation will be better able to maximise the business opportunities, access different sources of funding, and engage the community's support. A district council has a plethora of responsibilities across a very wide range, while an organisation focussed solely on the Forum presents the best chance of achieving a sustainable future. Such an organisation with this degree of focus should be in a position to enhance the value of the Forum to the community by providing a wider programme of events and increasing the number of people who pass through its doors.

Background

Aims and objectives of the business

Our vision:

- The Forum will become the venue of choice for the local community for a wide range of purposes; in particular, by providing a high-quality letting space for local groups and by managing a programme of innovative events.

Our mission:

- to maximise the number of people who pass through the Forum's doors, who enjoy their experience and return for more, and through financial performance to sustain this into the future.

Our key objectives:

- To manage the transition from Council operation without disruption to customers and impart to them a sense of adventure and opportunity for the future.

- To strengthen our relationships with existing customers.
- To staff the Forum with a suitable blend of paid staff and volunteers, selected to bring a new sense of customer service.
- To improve marketing and publicity so that potential new customers are continuously being drawn in.
- To develop a balanced programme of Forum-led events which becomes a significant source of income.
- To do all the above within a financial plan which carefully controls expenditure and delivers an initial minimum 'break-even', then into a growing surplus for reinvestment into the organisation.

Our Markets

Key areas of business:

Current business areas:

- Performance Arts: Musical Theatre, Drama, Band concerts, Dance
- Sport and Fitness
- Meetings & Conferences
- Cinema
- Adult Education
- Social venue: children's parties, school prize days, etc.

Size of Market - people

The Forum serves the Hambleton District, a population of 87,000. Other facilities in neighbouring market towns and villages reduce the customer base for some types of use but customers are drawn also from outside the District.

Size of Market - spend

Currently, Forum income is highly dependent on a number of key customers (55% of letting income comes from 12 groups.) Particularly in the current economic climate, there is significant sensitivity to both letting costs and event ticket prices for which there may be an effective £10/£12 ceiling.

Customer Intelligence

Interviews with current customers provided positive feedback for:

- Good, big venue, ideal for purpose
- Has performance licence
- Stage a key differentiator
- Raked seating
- Good sound system
- Helpful staff

Key areas of negative feedback are:

- Cost
- Unclear lines of communication
- Inadequate marketing/promotion
- Inconvenient opening times
- Booking system not clear or straightforward

- Changes and cancellations of bookings
- The lack of a box office
- Perceived priority given to other customers
- Non-compatibility of same-time bookings (mainly noise vs. quiet)
- Unclear or unattractive bar facilities
- Inadequate refreshment facilities

Competition

Letting space	Performance venue
<ul style="list-style-type: none"> • Church halls • Village halls • Schools • Hotels & pubs e.g Golden Lion • Northallerton Town Hall • Romanby Golf Club 	<ul style="list-style-type: none"> • Georgian Theatre, Richmond • Civic Theatre and Arts Centre, Darlington • Troubadour Club
Sport	Cinema
<ul style="list-style-type: none"> • Hambleton Leisure Centre 	<ul style="list-style-type: none"> • Ritz Cinema, Thirsk • Richmond Station • Teesside Park

Current performance

Costs have exceeded income

Throughout its history the Forum has never made a profit. The District Council budget currently includes a “cash deficit” before recharges and capital charges of £43k.

Marketing has been inadequate

During our public consultation, low awareness of the events programme was a common issue. In addition to inadequate marketing to the general public the promotion of the Forum’s benefits to potential venue hirers has not been a focus of HDC’s activities.

The current charging policy is illogical

Inconsistencies in charging structure favour some groups with no clear rationale.

Current strengths, weaknesses, opportunities and threats

Strengths	Weaknesses
<ul style="list-style-type: none"> • HF has features e.g. excellent sound system, projection equipment and raked seating unavailable at other local venues • On-site parking • Proximity to Northallerton town centre • Accessible facilities • Strong core of weekday daytime users • Committed volunteer core 	<ul style="list-style-type: none"> • Configuration limits “social space” • Some areas appear “tired” • Illogical charging structure • Inadequate marketing & promotion • Booking incompatibilities <ul style="list-style-type: none"> ○ type of event ○ shows and block bookings • Sporadic evening and weekend use • Parking charges are a disincentive, particularly for all day events
Opportunities	Threats
<ul style="list-style-type: none"> • Repackage the Forum brand • Enhance marketing and promotion • A simplified and clear charging structure • A balanced programme of Forum-led events: <ul style="list-style-type: none"> ○ wider mix ○ increased weekend and evening events • Improve the look and feel of the building • Explore the potential for events transmitted by satellite • Collaborate with local partners eg Northallerton Town Hall • Provide a box office “hub” for local events • Additional income through sponsorship and grants • Increased revenue from making and retaining bar profits • Potential for improved building configuration eg separate access to ancillary room 	<ul style="list-style-type: none"> • Changes to charging structure cause customers to move elsewhere • Insufficient availability of volunteers requires additional paid staff • Prolonged recession increases continued “belt tightening” • Insufficient attendance at events precludes achievement of income targets

The Way Forward

Key Priorities

The success of the four-year business plan will rest on the following key priorities:

- Rebranding the Forum as the multi-purpose community facility of choice
- Increasing sources and levels of income
- Developing and maintaining a pool of volunteers
- Controlling costs

Rebranding the Forum

We propose a major drive to improve marketing and publicity, both of the Forum as a letting space, and of individual Forum-run events. The opportunities offered by modern methods such as a distinctive website and social networking sites must be grasped. Awareness of the 'Forum offering' must be brought to new customers, and also broadened with existing customers, so that those coming to one event or letting are attracted back for different reasons. An increased budget for marketing is included in Year1 so that professional expertise may be brought in.

A fresh focus on customer relationships is also required. We plan to recruit a new Forum Manager who will work with the Board to ensure the quality of the customer experience, for example by: clarity over bookings and charges; rapid attention to any problems; and regular reviews with regular customers. We want to hit the right balance of quality and cost, so it becomes highly unusual for a regular customer to go elsewhere.

As an early indicator of this new profile, we propose closing the Forum during August, traditionally a very slack month, for re-decorating and refreshing the interior. The initial re-opening in September would include a wide programme of events to maximise impact. We propose using September to December as a bedding down period, when of necessity some systems and processes will need time to transition from HDC to the new Company. A higher-profile re-launch would then be planned for early January 2013.

Increasing Income

Both sources and levels of income have to be increased significantly if we are to achieve a modest profit in Year 4. This presents a major challenge given that income is currently declining and the general economic climate is hardly favourable. Nevertheless, we feel this can be done over the period. Our financial projections have been structured as robust enough to cope with the increased income building up more slowly than hoped.

There is some scope for increasing letting income, but the key changes will come from:

- A programme of Forum-run events, largely based on the performing arts

- Maximising income from the cinema equipment, including possible live events by satellite
- Taking income from the bar and light refreshments, linked to particular events
- Building up sponsorship, from local businesses and individuals

As a principle, from Year 4 income will be targeted at meeting running costs, with a modest surplus. We intend to maximise the advantages from our community base and charitable status in strongly pursuing the availability of grants to make improvements to the facilities and equipment.

The Volunteer Pool

The presence of a full-time Forum Manager and several part-time operational staff will not on its own achieve the rebranding and increased income detailed above. To a great degree this will depend on versatile and committed volunteers, improving the customer experience by, for example: running an integrated Box Office; managing and staffing the bar and café facilities; and staffing the increasing number of Forum-run events.

Volunteers will also provide leadership as members of the Board.

Attracting, training, enthusing and retaining this volunteer pool is a key role for the Board and Forum Manager. In addition to the practical value of volunteers, their involvement in the day-to-day running of the Forum can only strengthen our relationship with the local community and ensure that all our activities receive community support.

Controlling Costs

As in any business plan, this will always be an important feature. We do not believe there are major savings in salary costs, as the volunteers will be doing new things not done now. Similarly, it is hard to see much cost reduction from maintaining the building, utilities, and so on. A lower cost base can be achieved by the reduced tax rate for charitable organisations, and by the removal of HDC overheads, but the need to increase income is paramount.

Measuring Success

Many key performance indicators will through necessity be financial, backed up by qualitative assessments. A dashboard of performance indicators will be developed to include:

- Overall progress against four-year budget and cashflow plan
- Speed and level of increasing income
- Number and involvement of volunteers
- Increased customer satisfaction
- Additional footfall
- Additional repeat business

Financial Implications

Annex A sets out the budget and cash-flow plan for the first four years of community management. The forecast includes achieving break-even by the end of Year 3, with a modest cash safety-net in the bank, and then achieving a modest profit in Year 4. Transfer to community management requires this period of financial transition in order to be successful and sustainable in the long-term.

Our need for support from HDC comes in two parts.

During the early period of operation, and particularly in years 1 and 2 of the Plan, we will require revenue support during the period that income builds up towards our longer term targets. In addition some additional costs will be incurred in year 1 as we implement the new organisation, for example for additional marketing support in year 1. Our request is for a grant of £70k to cover the transition.

In addition certain costs need to be incurred upfront if the Plan is to succeed. Underpinning the success of the Plan is the continuing availability of the high quality cinema equipment in the Forum, and the added facility of providing a satellite link to extend it's use to showing live arts and sports events. The cost of these, excluding VAT, is £22k. Certain works on the fabric and decoration of the Forum will be required to bring the venue up to a standard to relaunch this as a Community Venue. This will be in addition to certain specific matters that HDC will need to deal with regarding the structure of the building.

Following discussions with HDC Officers, we request an investment of an overall £50k for these items (£22k for the cinema equipment, and £28k for the work on the building). In terms of timing, and the VAT position, we believe that the most effective approach will be for the Council to meet these costs before or at the point of transfer, but we will be happy to discuss further the details of this, including specific items to be funded from the £28k building sum.

In total, therefore, we are looking for support of £120k made up of the £50k initial specific investment and an operational grant to meet the transition of £70k.

Once sustainability is achieved, we would like to leave the door open to request a financial contribution from HDC as part of financing any capital expenditure on the structure of the building.

Equality and Diversity

There is no discernible adverse impact on equality or diversity from this proposal. Indeed, the broadening of the customer base, together with the opportunities for volunteering, has the potential for improvement.

Appendix A - Hambleton Forum Income & Expenditure Initial Business Plan

	Year 1	Year 2	Year 3	Year 4	Comments/ basis of assumptions	Risk Assessment
	£	£	£	£		
Income						
Lettings	50,000	60,000	65,000	65,000	Year 1 broadly in line with current usage. Whilst some increases in charges may be necessary, the aim will be to develop further regular, and in particular "one off" bookings. It is hoped that some of these will contribute to the balanced programme of events available to the wider community.	Year 1 is considered low risk, but later years will depend on strong marketing and diary management
Forum Run Events	10,000	12,000	15,000	18,000	Very little activity at the present time, so this represents the key challenge to put on a balanced range of events to generate additional income mainly in the evening and weekends	This is high risk in view of previous experience of running events. Year 1 will be particularly challenging because of lead times and lack of track record on what is working and what makes money
Cinema	5,000	6,000	7,000	8,000	There has been some audience development following the arrival of the new equipment. This figure assumes a programme integrated with the main events programme, including possible "live" screenings of arts events	This is dependent on getting the equipment at an affordable cost, and obtaining grant aid. There is some confidence in building audience levels if the programme is properly integrated into the wider events programme and provides consistency about when films are shown.
Bar and Catering	12,000	13,250	15,000	17,500	At present, other than a small contribution from vending, there is little contribution to the Forum from this source - either because any profits go to the hirer, or the provider of the bar etc, or a facility is not provided. The proposal would mean that a largely volunteer run facility would be in place providing a service at appropriate times when the Forum is in use.	This is high risk. It assumes voluntary staffing for all but major events where the bar would be a significant part of the event (eg boxing nights, where a partnership approach with a local bar operator may be appropriate). The level of demand and average spend assumptions are difficult to assess, adding to the level of uncertainty of this provision
Sponsorship/Friends Scheme	5,000	5,000	5,000	5,000	This target assumes a level of support from local businesses, particularly in the early period, and perhaps a growing contribution from users in later years through a Friends Scheme	

Grant Income	-	-	-	-	No assumption is made here for grants against general running costs. It is anticipated that some schemes to improve facilities may be identified in the period ahead, but these are NOT reflected in this business plan	
Bank Interest	100	100	50	50		
Total Income	82,100	96,350	107,050	113,550		
Expenditure						
Staffing	47,250	46,250	46,250	46,250	This assumes a full time manager, some staff to assist in setting up etc, and a modest contracted cleaning service. The success of the venture will depend significantly on the availability of volunteer support	Risk is dependent on the extent of sustained volunteer support
Premises	46,650	36,650	37,150	37,650	The main costs are for the repair and utilities costs of the building. With charitable status we would expect to get an 80% rebate on the non domestic rate charge (NNDR)	Risk is linked to unexpected problems with the building. This risk is managed in part by the structural maintenance risk staying with HDC
Other Costs	46,060	24,060	24,060	24,060	Includes marketing which would have an additional £5k front loading in year 1, as well as other year 1 start up costs and working capital requirement	Risk may be that we have not put in sufficient for marketing to sustain the level of audience development to meet income targets.
Total Expenditure	139,960	106,960	107,460	107,960		
Net Position	-57,860	-10,610	-410	5,590	The plans show a near break even position in year 3, moving to a modest 5% operating surplus in year 4 to support ongoing investment in the facility	
Requested Dowry	70,000				This covers running costs only, and excludes the upfront investment bid of £50k. In round terms this dowry will underwrite the net deficit in years 1 and 2, and provide the necessary working capital to allow the new organisation to operate. It is equivalent to approximately one and a half times the current budgeted deficit on the direct costs to HDC of running the Forum	
Cumulative Net Budget Position	12,140	1,530	1,120	6,710		