

Brighton & Hove City Council

Tourism, Economy, Environment and Culture Committee

Agenda Item 54

Subject: Royal Pavilion & Museums Trust Annual Report 2023-24

Date of meeting: 12th January 2023

Report of: Executive Director Economy, Environment and Culture

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 The Council's museums service was transferred to the Royal Pavilion and Museums Trust on 1st October 2020. The museum buildings, collections and staff were transferred to enable this independent organisation to attract additional funding and operate on a commercial footing.
- 1.2 The Trust are obliged to provide an annual plan and review for approval by the Tourism, Equalities, Communities and Culture Committee (TECC) each year. Attached to this report is the Trust's third annual plan after operating for two complete financial years.

2. Recommendations

- 2.1 That Committee notes, despite many achievements over the past year, that there continue to be challenges facing the Trust moving into 2023-24.
- 2.2 That Committee approve the annual service plan (Appendix 1) for 2023-24, which includes implementation of a new admissions pricing structure.

3. Context and background information

- 3.1 The Policy and Resources Committee agreed to the transfer of the Royal Pavilion and Museums on 5th December 2019. Assets were transferred to the Trust on 1st October 2020.
- 3.2 As part of the service agreement, TECC Committee are required to consider and approve an Annual Service Plan at the beginning of each year. This report provides some analysis of the first two quarters of the Trust's financial year, up to October 2022.

- 3.3 The financial year 2022-23 is the second full operating year for the Trust as an independent charity. Since all services transferred to Trust, there have been significant challenges, including a global pandemic with enforced building closures, recovery from successive lockdowns, inflation, and subsequent rises in energy costs and reduced visitor spend. All have added to budget pressures.
- 3.4 The Trust carried out a modest staff restructure during 2022. The restructure did not result in any enforced redundancies but enabled the Trust to create a staff team to better reflect business priorities. The predicted funding gap caused by rises in energy costs was reduced through government intervention. However, the Trust face a £50k increase in their energy bills than was budgeted for.
- 3.5 Lower than expected visitor numbers in the first quarter of 2022, particularly from European students who prior to Brexit provided a significant source of income, led to reduced income than had been budgeted for. Challenges caused by visa restrictions for international student groups has been noted nationally by Visit England.
- 3.6 There was a more positive picture at the end of the second quarter (September) with the Trust exceeding expected visitor numbers. The Trust took £1.620m in income from visitors against their target of £1.489m. Throughout 2022, visitor numbers have returned to 75% of pre-pandemic numbers in 2019. This is an improvement on 2021-22 which saw 60% of visitors returning. The Trust have so far surpassed their income targets for events this year.
- 3.7 Despite encouraging visitor income trajectory in quarter 2 and income through events, the Trust's financial position remains extremely challenging. Last financial year (2021-22) saw the Trust end the year with a deficit of over £1.5m. At the beginning of this year the Trust forecast a loss of £0.7m. However, due to reasons outlined above, as well as following the Council in eliminating the two lowest pay grades from their salary scales, the forecasted loss has increased to £0.97m.
- 3.8 To address significant financial challenges and to increase financial viability, the Trust have included in their service plan for 2023-24 some savings measures. This sits alongside maximizing opportunities for income generation, particularly around commercial opportunities. The Trust have carried out a detailed review of the sites they manage, such as the Court House, and identified opportunities for income generation. Renegotiating contracted services and reducing the number of casual staff contributes towards savings targets. The budget outline for 2023-24 can be found on page 32.
- 3.9 Despite financial challenges, key milestones and significant achievements have taken place during the year. The Trust successfully retained their Arts Council England (ACE) NPO funding for three years.

- 3.10 Other achievements include a rebranding exercise providing a recognizable brand with a new logo and website; progression of the Royal Pavilion Gardens project with a full application due to be submitted to the National Lottery Heritage Fund (NLHF) in May 2023; the return of a Constable painting to the Royal Pavilion (receiving national press coverage); the Goal Power exhibition to support Brighton's host city status for the Women's Euros. See page 40 of Appendix 1 for a detailed account of achievements.
- 3.11 Rebuilding and developing the education programme for Brighton and Hove schools and the surrounding areas proved successful. During the first two quarters of 2022, the Trust welcomed 9321 school children to their sites. The total number of school bookings to date this year has been 228. This will continue to rise during the remainder of the school year, with an anticipated further 2500 children participating in a varied offer. In 2021 just 124 school bookings could be accommodated due to enforced closures of sites. The same period in 2019 took 213 bookings.
- 3.12 During 2022 the Trust worked with an independent consultant to audit admission charges across their three charged for sites; Brighton Museum, Preston Manor, and the Royal Pavilion. The aim was to simplify the fee structure, whilst also looking at income generating opportunities. Income from admissions accounts for 44% of the Trust's operational budget. Charges for the schools programme have been simplified. A full list of fees and charges can be found in Appendix 1 of the Trust's service plan.

4. Analysis and consideration of alternative options

- 4.1 The annual service plan outlines the approach the Trust propose to take during 2023-24. This reflects ongoing financial challenges and presents a realistic plan alongside a cautious budget. The Trust remain ambitious in their goals, alongside a backdrop of inflation and the unknown impact this will have on the visitor economy.
- 4.2 To increase financial viability, the Trust will implement savings and income generation initiatives. This includes increasing income through a new admissions pricing structure, as detailed in Appendix 1 of the Trust's service plan (See Appendix 1). This brings the Trust in line with other national museums services.
- 4.3 The alternative option is that the buildings and collections come back to the city council, which is not considered reasonable. Despite the financial challenges facing the Trust, it remains the case that the assets are best placed with an independent organization, which is supported by the city council.

5. Community engagement and consultation

- 5.1 As a major heritage organisation in the city, the Trust continues to be an active community partner and stakeholder. Three BHCC Councillors sit on the board as trustees and meetings are held regularly with Council officers. Although the independent status of the Trust and the advantages this brings

is recognised by all, the annual service plan ensures their work is closely aligned and delivering to the BHCC 2020-23 strategic plan “A Fairer City, a Sustainable future” and its outcomes.

- 5.2 As an Arts Council National Portfolio Organisation the Trust is committed to delivering on ACE’s new ten-year strategy “Let’s Create” with its outcomes.
- 5.3 The past year saw 109 young people engage in activities through the Museum Collective initiative. This involved engagement in development of key exhibitions, including Goal Power and online activities. Regular meetings are held with the Trust’s Access Advisory Group to increase equity of access to services.

6. Conclusion

- 6.1 The Trust have made good strides in their progress of rebuilding the business and establishing themselves as an independent organization. A rebrand, including simplifying how they are known to residents and visitors, as Brighton & Hove Museums, provides a unique and tangible identity.
- 6.2 As evidenced above, the Trust face significant financial challenges. To increase financial viability, it is imperative that cost savings and initiatives to increase income are put in place. Challenges are shared across sectors and there is much still unknown, particularly around government intervention with energy costs.
- 6.3 This third annual plan reflects the continued uncertainty facing the Trust in relation to inflation, lower than expected visitor numbers, and all associated areas of community and commercial activity. With another quarter of the Trust’s financial year to follow (to 31st March 2023), the plan provides as realistic a forecast as possible for 2023-24, at this early stage.

7. Financial implications

- 7.1 There are no direct financial implications arising from this report. The council has approved a £4.0m cash flow facility with the Trust as part of the transfer agreement to support financial resilience. To date the Trust has drawn down two £1 million loans to support cashflow in recognition of the impact of the pandemic and the slow recovery of visitor numbers. These loans are due to be repaid by 30 September 2030 with repayments commencing next financial year.
- 7.2 Under the terms of the agreement, RPMT can request financial support for changes to the NJC terms and conditions of staff where these cannot be mitigated through increased income or efficiencies. The NJC pay award for 2022/23 was significantly higher than budgeted; as the report highlights, visitor numbers and income have not returned to pre pandemic levels and therefore the council anticipates up to an extra £0.400m service cost to RPMT. This is reflected in the councils Targeted Budget Management reports to Policy & Resources Committee. Had the service remained within

the council's control the council would have incurred these extra costs directly.

Name of finance officer consulted: James Hengeveld Date consulted 21/12/2022

8. Legal implications

- 8.1 The Services Agreement between the Council and the RPMT requires the Trust to produce an Annual Service Plan in an agreed form for approval by the Council. As required by the Service Agreement, the Annual Service Plan sets out the proposed fees and charges. The Council's TECC Committee is the appropriate committee to grant this approval.

Name of lawyer consulted: Alice Rowland

Date consulted : 14/12/22

9. Equalities implications

- 9.1 There are no specific equalities matter arising. The Trust have appointed to a Diversity and Inclusion position in their staff team.

10. Sustainability implications

- 10.1 The museum buildings are historic and high maintenance. They consume energy through environmental management systems and inefficient building structures which were not designed to retain heat. However, the Trust is fully committed to environmental sustainability and doing all it can to minimise its carbon footprint.
- 10.2 As an Arts Council England National Portfolio organisation the Trust submits a sustainability action plan annually as part of their funding agreement.
- 10.3 RPMT align with BHCCs 'A Sustainable City' goal, and champion and advocate for carbon neutral policies. The Trust recognise the particular challenges that come from managing historic buildings. They are in the process of developing a strategy that puts the climate emergency at the centre of thinking and planning.
- 10.4 The revised Environmental strategy will demonstrate how the Trust collects and monitors performance, including the carbon footprint of audiences and suppliers. It sets targets and include a series of initiatives that demonstrate sector leadership in this area. RPMT commit to using buildings, collections and displays to highlight conversations in relation to environmental policy.

11. Other Implications

- 11.1 **Social Value and procurement implications**

The Trust is a significant employer in the city. The community outreach work and education programmes add social value to Brighton and Hove. The Trust have developed an outreach programme focusing on the five areas of the city with the highest levels of deprivation. The focus is working with schools and families in the identified areas to increase engagement with the museum's programmes.

11.2 Crime & disorder implications:

None

11.3 Public health implications:

None

Supporting Documentation

Appendices

1. Royal Pavilion and Museums Trust Annual Service Plan 2023-24