

Summary of Financial Model

Charitable and Trading Activities

The table below provides a summary of the five-year financial business plan for the proposed charitable trust.

Charitable and Trading Activities					
	Year 1 £'000	Year 2 £'000	Year 3 £'000	Year 4 £'000	Year 5 £'000
Employee Related	5,188	5,313	5,412	5,518	5,621
Premises Related	690	755	709	718	727
Administration, Supplies and Services	1,236	1,224	1,215	1,205	1,197
Transport Related	36	36	36	36	36
Payment to Other Bodies	223	217	212	206	200
Irrecoverable VAT	286	286	286	286	286
Total Expenditure	7,659	7,831	7,870	7,969	8,067
BHCC Contract Contribution	1,181	1,119	1,065	734	691
External Grants	1,210	1,210	1,210	1,210	1,210
Donations / Fundraising	190	261	261	262	263
Income from Charitable Activities	4,211	4,427	4,574	4,714	4,828
Other Trading Income	897	924	949	974	1,001
Total Income	7,689	7,941	8,059	7,894	7,993
Contribution to/(from) Unrestricted Reserves	30	110	189	-75	-74
Unrestricted Reserve Level b/f	706	736	846	1,035	960
Unrestricted Reserve Level c/f	736	846	1,035	960	886
Unrestricted Reserve / Expenditure	10%	11%	13%	12%	11%
Total Reserves (excluding endowments)	1,447	1,557	1,746	1,671	1,597
Total Reserves / Expenditure	19%	20%	22%	21%	20%

Employee Related costs are based on current council service budgets and inflation assumptions. This also assumes that the RPM Trust will become a pensions admitted body on an open scheme basis.

Premises Related costs are based on existing service budgets, financial benefit of Trust status due to business rate relief and assumptions of below inflation price increases due to anticipated procurement efficiencies.

Administration, Supplies and Services costs are based on existing service budgets with assumptions made for increased investment in product and marketing, costs of support service and governance requirements, as well as the impact of cost of goods sold corresponding to income assumptions.

Payments to Other Bodies relate to payments to other organisations funded by Arts Council England and ring-fenced for a specific purpose.

Irrecoverable VAT is based on a model developed and shared with external consultants taking into account the various assumptions in the financial model. The figure also includes anticipated contributions to the planned maintenance the Trust would be expected to make. The level of irrecoverable VAT payable is subject to agreement with HRMC on an apportionment methodology, so this figure can only be indicative at this stage.

The **BHCC Contract Contribution** reflects the level of contributions previously reported based on the financial modelling.

External Grants relate to existing grants from Arts Council England and are assumed to continue at current levels over the five year period. Where there is corresponding restricted expenditure, this has been included in the expenditure headings.

Donations / Fundraising is based on current levels plus additional contributions likely under trust status.

Income from Charitable Activities includes charges and contributions allowed under charitable activities such as admissions, gift aid and sales of audio guides and guidebooks. Admission and gift aid forecasts are based on existing visitors numbers and type, anticipated changes from increased investment in marketing, and implementation of more responsive charging policies, with prudent estimates, particularly in year one to allow for period of transition.

Other Trading income includes retail income and venue hire. Estimates for increases in income are due to modelled investment in product and marketing.

Assumptions made in the five year financial business plan are considered to be prudent and therefore low risk to the sustainability of a charitable trust. Sensitivity of assumptions has been carried out to determine how changes in assumptions could impact on the affordability of the financial business plan.

Reserves are shown as over the five year period to be used as mitigation against cash flow and unforeseen expenditure. The opening reserves balances are based on forecast Trust balances on transfer, and planned contributions of funds from the council, and may therefore change by the time of transfer.

Planned Maintenance

The table below identifies the estate planned maintenance requirement. This is in addition to the costs identified in the five year financial business model above.

Maintenance Requirement					
	Year 1	Year 2	Year 3	Year 4	Year 5
	£'000	£'000	£'000	£'000	£'000
Maintenance Requirement	1,696	615	578	578	578
Professional Service Fee	169	61	58	58	58
Term and Other Maintenance	134	134	134	134	134
Total Planned Maintenance Requirement	1,999	810	770	770	770
BHCC Contribution	655	669	684	684	684
BHCC Capital Receipt	500	0	0	0	0
Borrowing	760	0	0	0	0
Additional Fundraising Requirement	84	141	86	86	86
Planned Maintenance Funding	1,999	810	770	770	770

Maintenance Requirement is the required cost of maintenance based on condition surveys and / or quinquennial reviews of all buildings to be transferred to the charitable trust. This includes the required works to the Brighton Museum and Art Gallery as mentioned in the main body of the report.

Professional Service Fee is the anticipated costs to instruct an external professional to plan, procure and instruct the required works. This is based on 10% of the value of works based on the current council model.

Term and Other Maintenance are other annual maintenance requirements not included in the figures above. It should be noted that responsive repairs and grounds maintenance are included as recurring costs in the five-year charitable and trading activity.

The **BHCC Contribution** to Planned Maintenance reflects the level of contributions previously reported.

There is an identified annual maintenance funding need of £5.119m over five years, with identified B&HCC contributions of £4.636m, resulting in a funding gap of £0.483m over the five year period. In reality, all annual planned maintenance programmes need to be robustly prioritised and an element of what sits as required maintenance in year one may transfer to year two, and so on. The Trust must aim to close the gap to a more sustainable level as it develops and will have the ability to fundraise for specific capital projects to support the core maintenance budget contribution. The cost in year 1 is particularly high as this includes urgent works required to the Brighton Museum & Art Gallery roof. This has been treated as a separate capital requirement and alternative funding options of council capital receipts and borrowing have been considered to reduce the annual maintenance shortfall as detailed in the main body of the report.

