

Brighton & Hove City Council

Cabinet

Agenda Item 11

Subject: Royal Pavilion and Museums Trust Loan Agreement

Date of meeting: 27th June 2024

Report of: Cabinet Member for Culture, Heritage, and Tourism

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Ward(s) affected: All

Key Decision: Yes

Reason(s) Key: Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000.

For general release

1. Purpose of the report and policy context

- 1.1 The Council transferred the Royal Pavilion and museums services to the Royal Pavilion and Museums Trust (RPMT) on 1st October 2020 during a an exceptionally challenging financial time due to the pandemic. To support the financial resilience of the service, the council entered into a formal loan agreement with the RPMT, providing a loan facility to support cashflow during and after the pandemic.
- 1.2 This report relates to a request from RPMT to draw down a cashflow loan in line with that agreement. As a key culture partner in the city, the work of the Trust supports the Council Plan objective, 'A city to be proud of', providing an exciting and varied offer through the assets they manage to both residents and visitors. Their work contributes to achieving a flourishing and inclusive local economy.

2. Recommendations

- 2.1 Cabinet approve the drawdown of a £1 million cashflow loan to RPMT in line with the loan agreement dated 30th September 2020 and agrees the loan repayment schedule included at paragraph 3.9.

3. Context and background information

- 3.1 On 5th December 2019, the Policy and Resources Committee agreed to the transfer of the Royal Pavilion and Museums to an independent trust (RPMT). Assets were due to be transferred to RPMT on 1st April 2020. RPMT are custodians of the museum buildings, gardens, and collections through a 25-year service level agreement with the Council. The Council remains as freeholder. The extensive portfolio includes the Royal Pavilion &

Gardens, Brighton Museum & Art Gallery, the Old Court House, 4/5 Pavilion Buildings, Hove Museum & Garden, Preston Manor House & Gardens, and Booth Museum. Leases for these assets run concurrently to the service agreement.

- 3.2 Due to the pandemic and lockdowns, the transfer could not take place in April 2020. A further report was presented to Policy & Resources Committee on 30th July 2020, which set out financial and contractual issues arising from the postponement and included a recovery package offer of financial support to allow the transfer to go ahead.
- 3.3 The recovery package recognised that RPMT would be operating under exceptional and unprecedented challenging times, with buildings largely closed and staff furloughed. Therefore, this included a loan facility of up to £4m to support their cashflow in the early years of operation whilst the organisation built up its reserves.
- 3.4 The loan is a legal agreement held between the Council and RPMT, with delegated authority to the EEC Executive Director (now Corporate Director for City Services) and the Chief Finance Officer. RPMT are able to draw down on the interest free facility up to September 2025. To date the Trust have drawn down two instalments totaling £2m, the first in March 2021 and second in March 2022. These were to aid cashflow challenges as a result of limited trading during the pandemic, in line with the loan agreement. Repayment of all loans must be made by 30th September 2030.
- 3.5 RPMT made a formal request for a further £1 million loan on 19th April 2024. The request was accompanied by a range of additional documents, including a 5-year projection of income and expenditure, cashflow and a repayment schedule.
- 3.6 The information provided demonstrates the need for improved cashflow resilience. RPMT were not provided with working capital or un-ringfenced reserves at the point of transfer from the council and therefore have had no unrestricted resources to fall back on. They have made financial losses since the transfer but have demonstrated resilience in the face of unprecedented times (the pandemic). The operating year 2023/24 is expected to be a breakeven year. Income flows to RPMT are seasonal, and therefore, there are periods of limited income compared to expenditure. The recovery of visitor numbers has been slow but is moving back towards pre-pandemic levels, which is providing the projected improved cashflows.
- 3.7 Alongside the expected improved cashflows for RPMT, the Council is making step reductions to the service fee it provides under the service level agreement with the organisation.
- 3.8 For the financial year 2024/25 the service fee to RPMT has reduced by £0.330 million from £1.246 million to £0.916 million. This represents a 36% reduction in the fee. This reduction is reflected in the budget agreed for 2024/25. With income of £8.2 million this means that the council's service fee accounts for 11% of RPMT's income. The Arts Council contribution is 8%, with the remaining 81% generated by RPMT itself.

- 3.9 The 5-year projections take into account loan repayments and the lower service fee and relies on additional income and fundraising to offset the additional costs. As with all projections, there is inherent risk of optimism or unforeseen circumstances, particularly over a longer period. However, the progress of RPMT to date to deliver cost reductions, improve visitor numbers and exploiting income and fundraising opportunities supports the projection of an improving financial position over time.

RPMT provided a proposed repayment schedule which is included in the table below: -

Date	Amount £
31 March 2025	250,000
30 Sept 2025	200,000
31 March 2026	200,000
30 Sept 2026	225,000
31 March 2027	225,000
30 Sept 2027	310,000
31 March 2028	310,000
30 Sept 2028	320,000
31 March 2029	320,000
30 Sept 2029	320,000
31 March 2030	320,000
TOTAL	3,000,000

4. Analysis and consideration of alternative options

- 4.1 The council could turn down the loan request. This could result in RPMT looking to the council for support under the terms of the transfer arrangements.
- 4.2 RPMT cannot secure external finance as part of the transfer arrangements and therefore it relies on the council's loan facility signed on 30 September 2020.
- 4.3 If RPMT is unable to continue to meet its obligations under the service level agreement, it is likely the assets would be transferred back to the council. This would result in the council supporting cashflow by default but potentially losing income that was only achievable through Trust status and cause significant disruption to the service.

5. Community engagement and consultation

- 5.1 As a significant culture and heritage organisation in the city, RPMT continue to be an active community partner and stakeholder. Three Brighton & Hove Councillors sit on the board as trustees and meetings are held regularly with Council officers. Although the independent status of RPMT and the advantages this brings is recognised by all, the annual service plan for 2024-25 ensure their work is closely aligned and delivering to the objectives of the administration's Council Plan.

6. Financial implications

- 6.1 This report recommends providing a further £1 million interest free loan to RPMT in line with the loan agreement signed 30 September 2020. This brings the total cashflow loans to £3 million which is required to be repaid by 30 September 2030.
- 6.2 RPMT have provided a loan repayment schedule to meet this requirement and these repayments have been reflected in their 5-year financial projections.
- 6.3 With any loan there is the inherent risk of default, however providing the loan is supporting the financial resilience of the organisation and thereby reducing the risk of default.

Name of finance officer consulted: James Hengeveld

Date consulted: (28/5/2024)

7. Legal implications

- 7.1 The Loan Agreement in place with RPMT provides a facility of up to £4 million, which they are entitled to draw down in instalments. This is subject to the Council first agreeing the business case for the drawdown which must include a repayment schedule as submitted by RPMT. This report seeks the requisite Council approval in line with the Loan Agreement.

Name of lawyer consulted: Siobhan Fry

Date consulted: (29/05/24)

8. Equalities implications

- 8.1 RPMT work to their internal equalities policies. Council officers inform the organisation of any new Council policies, such as the Fair and Inclusive Action Plan and Anti-Racism Strategy. RPMT are delivering a Culture Change programme and this includes work around decolonizing collections.

9. Sustainability implications

- 9.1 The Trust are custodians of some world class heritage buildings, which 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 are fully committed to environmental sustainability and doing all it can to minimise its carbon footprint. The Booth Museum has repositioned itself as an educational hub to address climate change issues.
- 9.2 The Brighton Museum roof capital programme of work seeks to replace an inefficient roof with an improved thermal performance option. This will not only reduce the water ingress to the building and mitigate against damage, but it will make the building more efficient and support the Council and

RPMT's carbon net zero goals. As an Arts Council England National Portfolio organisation, RPMT submits a sustainability action plan annually as part of their funding agreement.

10. Health and Wellbeing Implications

- 10.1 Access to culture is known to support people's health and wellbeing. Following the securing of National Lottery Heritage Fund grant in January 2024 to restore the historic Royal Pavilion Garden and improve facilities for residents, RPMT intend to advance their volunteering scheme beyond their existing cohort of 88 volunteers. There are also plans for an outdoor learning space, providing valuable opportunities for people of all ages to engage in learning in a green space.

Other Implications

11. Procurement implications

- 11.1 There are no specific social value or procurement implications. RPMT have their own procurement policy which reflects the Council's and has a strong focus on social value.

12. Crime & disorder implications:

- 12.1 None arising from this report.

13. Conclusion

- 13.1 The provision of the additional loan is in line with the loan agreement and within the £4 million limit. It provides RPMT with cashflow resilience over the short to medium term, supporting the continuing operation of the service and enabling them to meet the objectives set out in the council approved 2024/25 Service Plan.
- 13.2 The organisation's charitable status continues to provide opportunities to increase income, such as through gift aid on admissions donations, as well as through greater fundraising opportunities, to protect the fabric of the buildings and heritage assets. The Trust have secured significant funding since inception, through funds that are otherwise unavailable to the council. The assets remain best placed with an independent organisation.

Supporting Documentation

1. Background documents

1. [Policy & Resources Committee 5/12/2019 agenda item 86.](#)
2. [Special Policy & Resources Committee 30/7/2020 agenda item 42](#)

