



Commercial Review of Cultural Services

Final Recommendations & Implementation Plan

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Introduction

These Final Recommendations should be read in conjunction with the Project Initiation Document (dated 12th June 2014) and the Current State Analysis report (dated 26th September 2014).

The Final Recommendations consist of a range of proposed initiatives with a summary of the rationale in each case together with identified risks, issues, dependencies and an associated business case analysis. Where relevant, an implementation plan for each initiative is included.

The recommendations are divided into five categories:

- **Part 1 - City** – covering city and corporate level initiatives that are relevant to all three institutions
- **Part 2 - Guildhall** – detailing initiatives specific to the Guildhall
- **Part 3 - Museums** – detailing initiatives that are relevant to both museums
- **Part 4 - Folk Museum** – detailing initiatives that are specific to the Folk Museum
- **Part 5 - City Museum** – detailing initiatives that are specific to the City Museum

With respect to some of the City recommendations, the implementation detail and costing associated with the recommendation is outside of the scope of this project. This is noted where applicable.

This document is intended to provide a basis for Go / No-Go decision making on the part of Gloucester City Council ('GCC' hereafter) and, in the event of a Go decision, to provide a roadmap that will enable a successful implementation of any given initiative.

The package of recommendations are presented 'as a whole' and consolidated financial forecasts assume that all recommendations are implemented. That said, the financial value of each individual initiative is identified where it is possible to do so, thus enabling an assessment of the financial value of implementing a sub-set of initiatives, should this become pertinent.

Project Methodology

The following summarises the approach taken for the Commercial Review Of Cultural Services project:

	Objective / Activity	Deliverable(s)
Phase 1 – Project Initiation	Defined, documented and agreed detailed scope and objectives. Documented risks and issues. Agreed detailed project plan and deliverables with GCC.	Project Initiation Document (dated 12 th June 2014)
Phase 2 – Business Review	<ul style="list-style-type: none"> - Comprehensive business review of Gloucester Guildhall, City Museum and Folk Museum, incorporating: <ul style="list-style-type: none"> o Review of current offer and visitor proposition; including the cultural content and ancillary services such as hospitality provision and venue hire o Primary research to establish extent of current fit with audience demand as well as competitive landscape o Survey of current property issues, limitations and opportunities. o Assessment of current marketing and promotional approach o Assessment of current organisation structures and in-house skills profile 	Current State Analysis (dated 26 th September 2014) highlighting results of initial review and first research exercise.
Phase 3 – Initial Proposals	Developed draft proposals for future of GCC cultural venues based on findings of the review .	Initial Proposals (dated 20 th October 2014)
Phase 4 – Consultation	Consultation with GCC and other relevant stakeholders	Consultation Summary (dated 12 th November 2014)
Phase 5 – Final Proposals	Final costed recommendations, inclusive of development roadmap, updated visitor proposition, property development proposals, indicative P&L forecasts, revised organisation structures and enhanced marketing and promotional strategy.	Final Recommendations & Implementation Plan (this document, dated 21 st November 2014)

Executive Summary

- The previously published Project Initiation Document used the graph shown on the right to define possible project outcomes in order of preference.
- Based on the initiatives contained herein, the project outcome is represented by position X – that is to say the combination of initiatives will have the effect of improving cultural provision, and will bring about a significant reduction in the required subsidy, but the financial uplift will fall short of delivering a break-even financial outcome.
- Once implemented, the fiscal benefit of these proposals is an EBITDA improvement of £467k per year on a like-for-like basis. On a 10 year outlook basis, the required subsidy from GCC in support of Cultural Services reduces from £9.5M under the current operating model to £5.2M under these proposals, a saving of £4.3M.
- The proposals that follow represent a wide ranging set of initiatives that will:
 - transform the Guildhall into a properly functioning multi-arts venue that is able to operate with a much reduced subsidy, sitting at the heart of a revitalised city centre and acting as the catalyst for a new day/night economy.
 - Enable the completion of the reinvention of the City and Folk Museums, augmented by much improved commercial activity that helps to fund their ongoing operation and the upkeep of the buildings in which they reside.

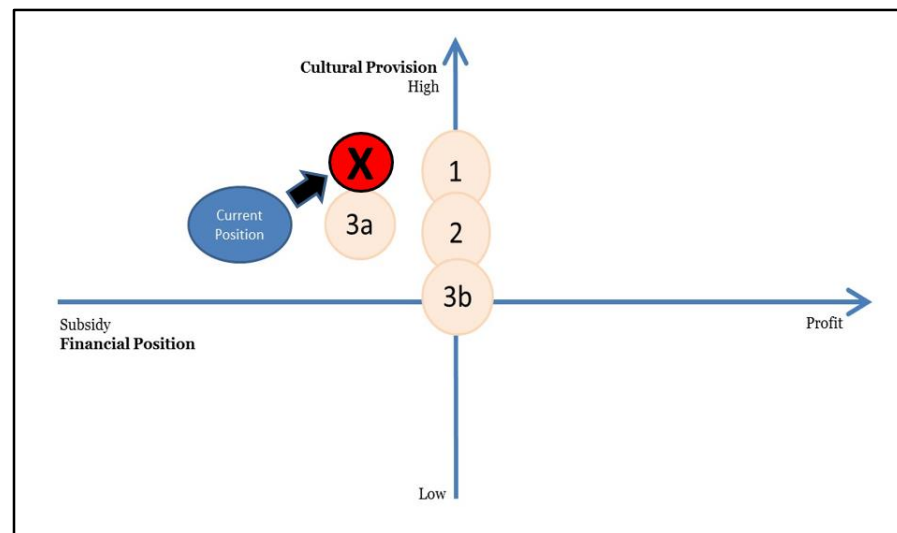


Fig 1. Possible project outcomes and projected outcome (signified by X) based on Final Recommendations

Part 1: City

City: Context

Gloucester is, in many ways, a vibrant progressive city that is forging ahead with an exciting redevelopment and regeneration program.

The Gloucester Docks development has been largely successful and further regeneration projects are in train, with the Kings Quarter project due to revitalise another important part of the city centre in coming years.

However, with respect to arts and cultural provision, the city lags behind cities of similar size and status, nor does it compare especially well with regional neighbours.

A theme that emerged in discussions with arts organisations and funding bodies was of a sense of uncertainty as to the priority afforded to cultural provision by GCC and the level of commitment and support that therefore exists to enable such activity to grow and flourish in Gloucester. Gloucester may be unique for a city of its size in not having any organisation or performing company that is permanently funded by Arts Council England. This is perhaps a reflection of the historically uneasy relationship that has existed between the City and the arts world. Adopting the recommendations from this project could form part of a clear message as to the importance of cultural provision in the city and act as a catalyst for further inward investment.

Meanwhile, there is some evidence of a lack of coordination between various GCC departments in respect of tourism and cultural strategy and this in turn is reducing the effectiveness of some efforts to promote Gloucester's existing cultural offer. For example, the 2014 Visitor Growth Strategy made no mention of the Folk Museum. Refocussing around an agreed series of initiatives has the potential to provide a means of galvanising effort and communication between key council departments.

The backdrop to these important issues is one of continuing funding pressures with council budgets under significant strain. In this context, the business case for major interventions, especially those requiring capital investments on the part of GCC, must be particularly robust.

City Proposals: Executive Summary

The proposals that follow:

- Highlight weaknesses in the current approach to visitor orientation and suggest a new system based around revised tourist trails.
- Point to opportunities for greater mutual support and cooperation between Marketing Gloucester and Cultural Services
- Examine the business case for moving Cultural Services into a Charitable Status structure.
- Suggest improvements to the Cultural Services organisation structure including:
 - creation of a Shared Services function
 - creation of a dedicated Venue Hire sales and account management team
 - a full outsourcing of the catering function
- Propose the procurement of a new website / box office / CRM system to support Cultural Services revenue growth.
- Suggest a new approach to the way in which Cultural Services accesses key support services such as marketing and design.

City Proposals: Tourist Trail

Establish a New Tourist Trail (Proposal C1) - Summary

Context / Issue	Research indicates that current marketing, signage and orientation aids have resulted in most non-resident visitors to the city (i.e. tourists and day trippers) typically moving in a narrow channel between Gloucester Docks and Gloucester Cathedral (see Fig. 2 overleaf). The city's signage and mapping (and much of its marketing) omits the City Museum and Folk Museum and this is one of the reasons that tourist visitor numbers to the Museums are currently low.
Proposal	Replace the current tourist trail (linear channel connecting Docks and Cathedral) with a loop that connects Docks to the Folk Museum to the Cathedral to the Guildhall to the City Museum and back to the Docks.
Rationale & Benefits	Revised marketing materials and reconfigured tourist trail will help ensure that more non-residents discover and experience the City Museum and Folk Museum (and to a lesser extent the Guildhall).
Details	The full detail of this proposal is outside of the scope of this project and would need to be the subject of further planning work by GCC, as part of wider city redevelopment activity. However the key elements will include (i) confirming new route(s); (ii) replace existing mapping and signage; (iii) consider additional features such as marked routes.
Capex Requirement	Not assessed as not within project scope
P&L Impact	Not assessed in detail, but clearly the potential impact on Museum footfall is significant, thus benefitting all related revenue streams.
Dependencies (D), Risks (R) & Issues (I)	Not assessed as not within project scope

Fig 2. Existing signage promotes movement along a route that excludes the museums and Guildhall (none of which feature on the map below).

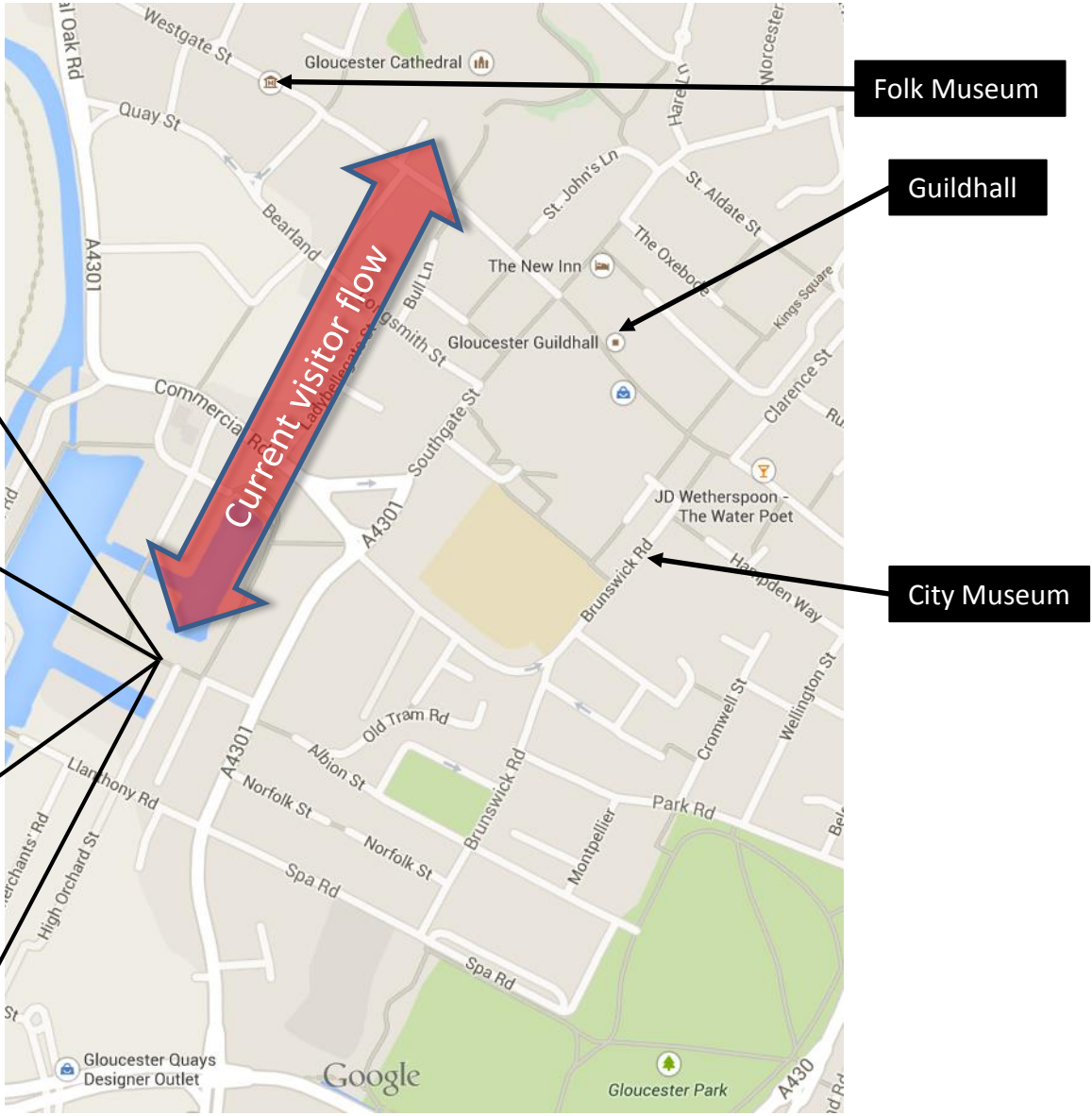


Fig 3. Proposal C1

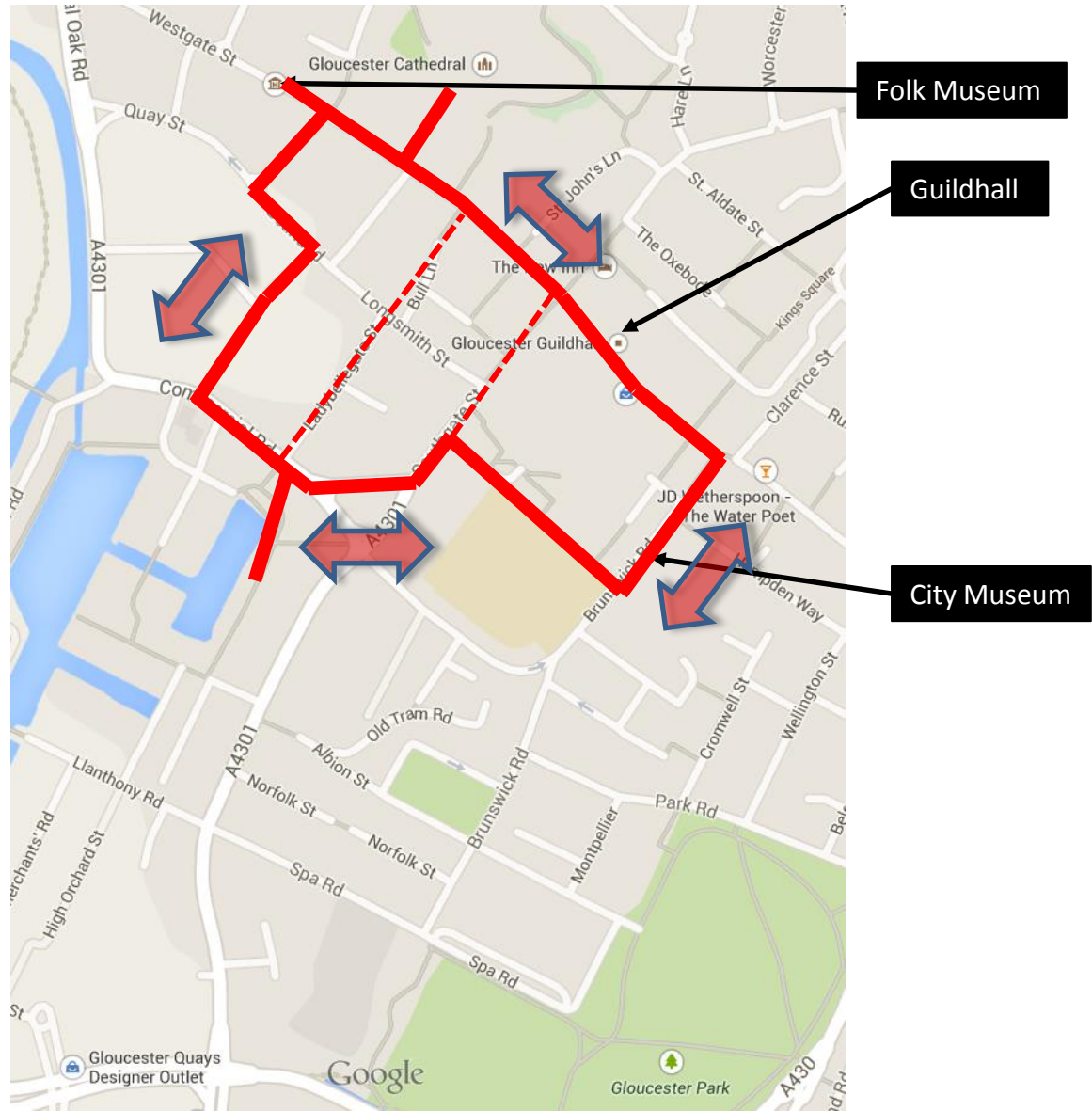
Redesign Tourist Trail

Reconfigure tourist trail as a circular route with the potential to take in Docks, City Museum, (Guildhall), Cathedral, Folk Museum and return to Docks.

Connects to current Southgate Street Townscape Heritage Initiative as well as other existing city centre redevelopment objectives. Supports the objective to reconnect Docks and city centre and to regenerate the city centre economy.

Would require revisions to signage and other environmental interventions.

NOTE: Some modest progress towards this objective has already been made with the recent launch by GCC/Marketing Gloucester of *gloucestertours.co.uk*: a mobile friendly website that guides visitors around one of three tour routes. However, these new routes are not currently backed up by physical signage and, notably, none of the current routes take in the Folk Museum.



City Proposals: Marketing Gloucester

Enable Marketing Gloucester To Promote Cultural Services (Proposal C2) - Summary

Context / Issue	<p>Whilst it is understood that Marketing Gloucester has a range of objectives it is seeking to deliver, it appears that driving awareness and visits to the Guildhall and Museums is a relatively low priority.</p> <p>This is reflected both in day to day promotional prioritisation decisions and in the strategic work that is taking place. The recent 'Strategic Plan For Growth, Visitor Economy' consultation documents makes only the briefest of mentions of the City and Folk Museums, despite a strong heritage focus, and makes no mention at all of the Guildhall. If these institutions are not at the heart of GCC's own strategic planning then it will be very difficult to deliver the improvements sought.</p>
Proposal	<ul style="list-style-type: none">(i) Ensure that, following the improvements to the proposition and creation of new marketing assets, Marketing Gloucester are equipped by the Guildhall and Museums (through the provision of messaging and assets etc.) to effectively promote the Guildhall and Museums.(ii) GCC to consider elevating the relative priority of this promotional work in terms of its brief to Marketing Gloucester.
Rationale & Benefits	<p>It is important to ensure that the improvements to Cultural Services (proposed herein) are matched by an increase in marketing and promotional activity or the changes may go unnoticed by residents and visitors. The Guildhall and Museums must do their part but they will never have the budget or reach of Marketing Gloucester, and thus it is important that Marketing Gloucester are able to support this effort within their channels.</p>

City Proposals: Marketing Gloucester

Enable Marketing Gloucester To Promote Cultural Services (Proposal C2) – Summary cont'd

Details	<ul style="list-style-type: none">- Specific consideration of Museums and Guildhall as part of strategic planning processes- Greater mention of Cultural Services within existing media / promotions- Some dedicated campaigns in support of key events in Cultural Services calendar- Support and promotion of new tourist trail (see Proposal C1)
Capex Requirement	None
P&L Impact	A significant amount of additional Cultural Services promotion may be able to be delivered within existing budgets through the inclusion of Cultural Services messaging within existing channels and media. The option of extra budget allocation should also be considered in light of the revised Cultural Services financial outlook, assuming successful implementation of the initiatives set out herein.
Dependencies (D), Risks (R) & Issues (I)	<ul style="list-style-type: none">- Competition from other promotional imperatives (I)

City Proposals: Corporate Structure

Moving To Trust Status

This project has considered the strength of the case for devolving the Guildhall, City Museum and Folk Museum (or alternatively just the two museums) to Trust status.

Where other local authorities have made such a change, it has ordinarily been to obtain some or all of the following benefits:

- i. a sense of direction, freed from the wider corporate issues of local authorities and the ability to focus on core business;
- ii. flexibility and freedom to establish plans and policies appropriate to the needs of current and potential audiences, freed to some degree from short term public scrutiny;
- iii. management structures that enable timely decisions at the most appropriate operational level, supported by expert Trustees;
- iv. a sustainable framework, based on funding arrangements that create a stable basis for business planning and development;
- v. the opportunity for cultural change in the museum/arts organisation;
- vi. opportunities to benefit from the fiscal advantages of charitable status and to increase income through commercial activity and sponsorship;
- vii. opportunities to make new connections and develop new partnerships (both in the museum/arts sector and outside) relevant to the institutions core purpose; and
- viii. a greater attractiveness to donors or persons considering long-term loans of collections.

It should be noted that, setting aside the fiscal advantages, many of the benefits set out above are not in fact dependent on charitable status, though the change of status has been the catalyst. They can equally be delivered by an effective organisation structure and by local authority leadership giving the museum/arts organisation a clear mission, appropriate budget frameworks and a level of autonomy to deliver against the agreed mission.

City Proposals: Corporate Structure

Moving To Trust Status (cont'd)

Business Case

Given many of the organisational benefits could be delivered in other ways, and without the level of legal and administrative cost that would be associated with Trust establishment, the business case for the Guildhall, City and Folk Museums moving to trust status turns upon the fiscal benefits that would be unlocked.

The fiscal benefits fall into three areas: (i) reduction in building business rates; (ii) ability to claim Gift Aid on entrance fees (Museums only); and (iii) encouraging philanthropy by improving the tax efficiency for donors. The table overleaf seeks to assess the benefits of (i) and (ii), both now (based on 14/15 forecast figures) and in the future (assuming the initiatives set out herein are implemented, thus increasing Museum attendance figures.).

The potential value of (iii), greater philanthropic contributions, is much harder to assess. The museums benefit from donations and gifts to some degree now, even whilst not set up in a way that is financially optimal for donors. Recently, the City Museum received a large bequest following the death of a local resident. There is not any evidence currently that a move to Trust status would unlock a large body of philanthropic support. For that reason, no values have been attributed to this category at this point.

City Proposals: Corporate Structure

Moving To Trust Status (cont'd)

Business Case (cont'd) – Fiscal Benefits Of Trust Status

Annual Benefit	Based On Current Revenues	Based on Future Revenues
Business Rates	Guildhall - £20k (based on 80% reduction from current rates of £25k) Folk Museum - £24k (based on 80% reduction from current rates of £30k) City Museum – no benefit since 80% reduction already in place (on basis of building apparently being held by a trust already).	No change from Current, therefore total benefit of £44k.
Gift Aid On Museum Entry Fees	£5k based on £29k of admissions revenue and 70% take-up of Gift Aid by museum attendees	£23k based on £130k of admissions revenue and 70% take-up of Gift Aid by museum attendees
Increased Philanthropy	No value attributed	No value attributed
TOTAL	£49k	£67k

The annual savings set out above must be set against the initial set-up costs (estimated to involve professional fees of £20 – 40k) and the ongoing incremental administrative cost of maintaining a separate organisation (annual report and accounts, trustees expenses etc. – estimated at £15 - 25k per year, assuming other basic support services continue to be acquired from GCC). When viewed in this light, it is clear that the net fiscal benefits are not dramatic in the short term.

City Proposals: Corporate Structure

Moving To Trust Status (cont'd)

Recommendation

On balance, it is recommended that GCC does not seek to devolve Cultural Services at this time, but instead aims to deliver the organisational change that is required from within the local authority framework (see further proposals overleaf). This is partly because the financial benefits are marginal in the short term but also because, if embarking on a period of significant change, the wider support network offered by GCC will be important in the successful deliver of the change programme.

However, GCC should not rule out Trust status in the medium to long term and should revisit the question if the required changes are not successfully prosecuted through the adoption of the organisational and other changes set out herein.

As already noted, from a fiscal viewpoint, the benefits of trust status are not sufficiently clear to warrant proceeding at this time. However, some or all of the following triggers could change that position:

- The City Museum's current business rate reduction is challenged or revoked.
- Business rates associated with the Guildhall and Folk Museum increase significantly following review.
- Museum admission revenues increase to the point where the Gift Aid benefit becomes more significant.
- Evidence emerges of latent philanthropic support that would be unlocked by a move to charitable status.

It is suggested that the question of charitable status is revisited in 2-3 years, following implementation of the other recommendations of this report, and based on a new study of the business case at that time.

City Proposals: Organisation Structure

Revise the Cultural Services Organisation Structure (Proposal C3a) - Summary

Context / Issue	<p>The current organisation structure, with largely separate teams managing the Museums and Guildhall, suffers from:</p> <ul style="list-style-type: none">- the lack of a clear mission, and thus a basis for senior management to prioritise activity- missed opportunities for coordination and efficiency in a number of shared/similar areas including Venue Hire, Marketing and IT/Technical/Maintenance.- in the case of the Guildhall, a responsibility for supporting other GCC services (without an associated contribution to costs)- a legacy structure and long serving members of staff who are in some cases inflexible in the face of changing business needs
Proposal	<p>(i) Redesign the organisation structure to include a Guildhall function (managed by Sarah Gilbert), a Shared Services function (jointly managed), and a Museums function (managed by Angela Smith), each designed to be 'fit for purpose' in light of the remainder of this project's proposals, including:</p> <ul style="list-style-type: none">- Removal of catering staff (given outsource proposals)- Removal of some front-of-house staff associated with changes to Opening Hours (Museums)- Reconstitution of venue hire function- Changes to Guildhall Support function, reconstituted as 'Box Office'- Creation of a Shared Services function in which sits Venue Hire, IT/Tech/Maintenance, Marketing <p>(ii) Agree new 'Mission' statements for the Guildhall and Museums to enable the respective teams to prioritise effectively and such that success is clearly defined.</p> <p>(iii) Guildhall to levy a cross charge for resource allocated to supporting other services (e.g. Shopmobility) – estimated at circa £30k a year of resource.</p>

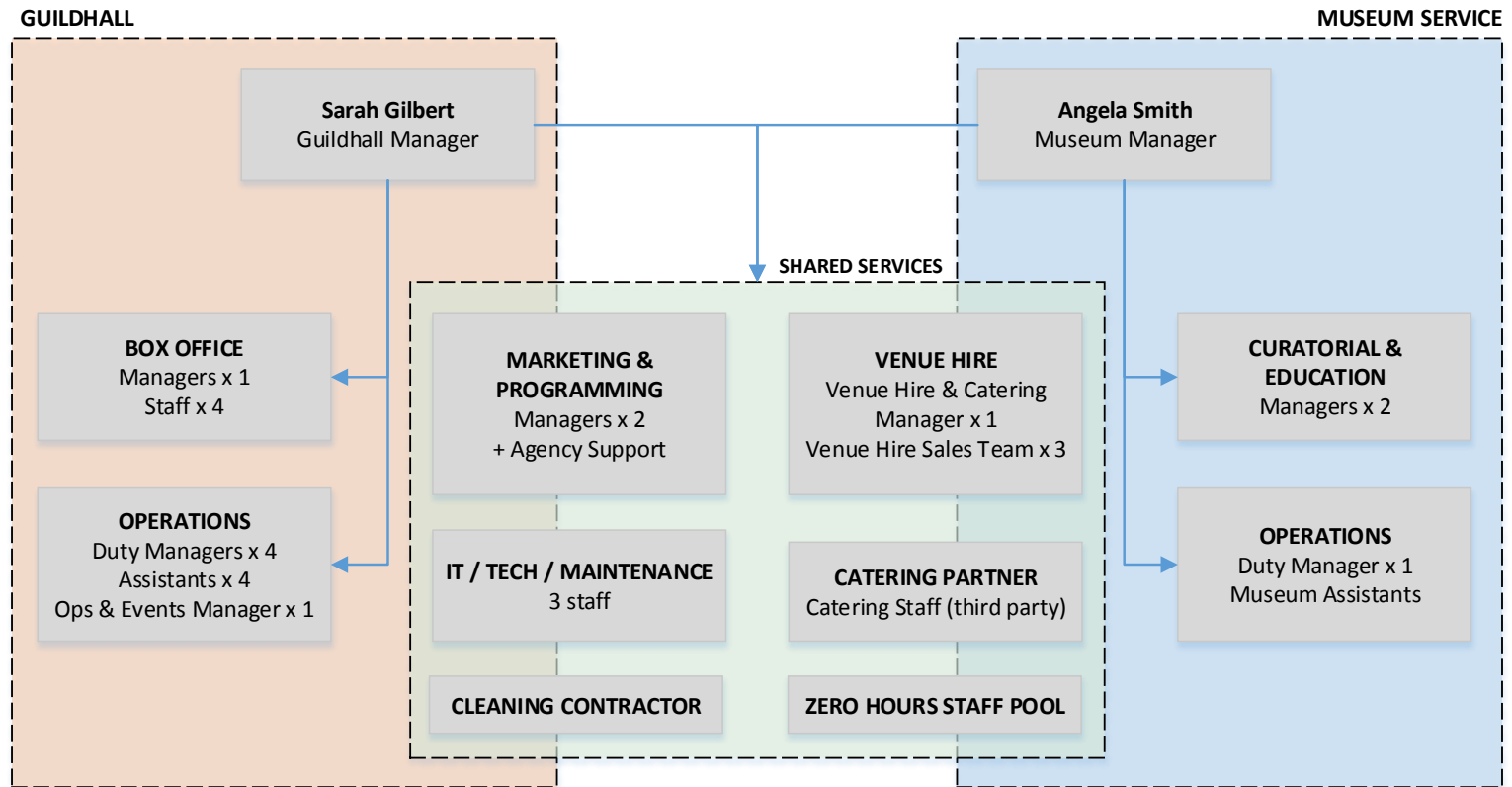
City Proposals: Organisation Structure

Revise the Cultural Services Organisation Structure (Proposal C3) – Summary cont'd...

Rationale & Benefits	<ul style="list-style-type: none"> - Allocate dedicated resource to Venue Hire sales to maximise performance, led by new position (Venue Hire & Catering Manager) - Harness synergies across Shared Services
Details	See org chart overleaf
Capex Requirement	None
P&L Impact	Net benefit of circa £30k across Cultural Services as a whole
Dependencies (D), Risks (R) & Issues (I)	<ul style="list-style-type: none"> - Will require consultation with affected staff (D) - Proposal is based on the assumption most of this report's recommendations are adopted (D).
Implementation Approach	<ul style="list-style-type: none"> - Modify existing Museums staff consultation exercise to take into account these additional changes - Commence a Guildhall staff consultation exercise - Assess cost of change associated with any redundancies, reflect in 15/16 budgets - Aim to put new structures in place by Apr 15

City Proposals: Organisation Structure

Proposed Cultural Services Organisation Structure



City Proposals: Organisation Structure

Implementation of Report Proposals – Organisational Impact

The organisation structure proposed herein is designed to be optimum for a ‘business as usual’ situation. However, some additional considerations are due if Cultural Services is to go through a period of significant change – as it will if a significant number of the proposals within this report are implemented.

Under those circumstances, it is likely to be necessary for the senior Cultural Services management team to be augmented with some additional short term project management resource. This fixed term position could be used to fulfil two specific functions:

1. Project manage elements of the change programme where the existing team do not have the relevant expertise. This might include tender process management (catering tender), contractor management (building refurb / fit-out), catering service design (in partnership with chosen partner) and other disciplines where the existing team require support.
2. Cover for the senior management in day-to-day areas where the existing team are involved in managing the change programme.

Proposal C3(b)

If a significant portion of this report is to be implemented, appoint a fixed term Project Manager to support the senior team with the implementation process.

City Proposals: Venue Hire Approach

Venue Hire Approach (Proposal C4) - Summary

Context / Issue	There appears to be significant untapped potential with respect to Venue Hire activity across all three locations. Hire revenue is reasonable even without a concerted sales and marketing effort.
Proposal	Create a dedicated Venue Hire sales team to work across Guildhall, Blackfriars and the two Museums. Recruit sales focussed staff and offer performance related remuneration.
Rationale & Benefits	Dedicated team drives revenue and allows efficient use of available spaces across all venues (cross sell, reallocation etc.) Frees existing 'multi-tasking' staff to focus on their own roles.
Details	<ul style="list-style-type: none"> - Light touch refurbishment on existing Guildhall facilities - Creation of further Guildhall meeting rooms at 25 Eastgate Street (see subsequent detailed proposals) - Recruit dedicated team - Allocation of marketing investment to re-launch Venue Hire offer
Capex Requirement	<ul style="list-style-type: none"> - 25 Eastgate Street (meeting room element), £80k - Guildhall meeting room refresh, £15k = £95k Total
P&L Impact	Combined sales increase from £94k in 13/14 to £215k once new facilities established and sales effort running at full productivity. Venue Hire profit in region of £100k after people costs.
Dependencies (D), Risks (R) & Issues (I)	<ul style="list-style-type: none"> - Revenue growth of this scale dependent on 25 Eastgate St development (D)
Implementation Approach	<ul style="list-style-type: none"> - Prioritise recruitment of Venue Hire Manager once staff consultation complete. Task this new manager with recruiting rest of team and revising the proposition and marketing approach. Seek to relaunch offer Apr 15.

City Proposals: Support Services

Support Services Approach (Proposal C5) - Summary

Context / Issue	Current policy requires Cultural Services to utilise GCC (or County) support services in various key areas despite these not being fit for purpose (in terms of support hours, speed of turnaround etc.)
Proposal	Allow Cultural Services to use third party suppliers in commercially significant areas such as Box Office / Transactional Systems, Design, Marketing etc.
Rationale & Benefits	<ul style="list-style-type: none">- Fit for purpose services will maximise commercial performance- Necessary to support revenue growth across a range of fronts
Details	Most acute problems are in the areas of design and box office / transactional services
Capex Requirement	None
P&L Impact	Represents an increased cost (use of marketing agencies etc.) but this is factored into new P&L calculations and is more than offset by revenue growth.
Dependencies (D), Risks (R) & Issues (I)	

City Proposals: Website, Box Office & Transactional Systems

Implement Improved Website, Box Office & Transactional Systems (Proposal C6) – Summary

Context / Issue	Cultural Services commercial performance is significantly hindered by (a) poor websites (b) unreliable till/transactional systems; and (c) an inflexible box office system.
Proposal	Replace the website, box office and transactional systems on a platform to be shared across Cultural Services.
Rationale & Benefits	<ul style="list-style-type: none"> - Increased online ticket purchase - Improved marketing and promotional presence - Enhanced transaction system resilience - Improved reporting and analysis capability - Staff reductions through greater automation
Details	A number of suitable systems are available on the market. However, system selection is out of scope of the current project.
Capex Requirement	No capex as license model assumed. Provision made within P&L for ongoing license cost (calculated at 4% of ticket revenue).
P&L Impact	Accounted for as part of Cinema, Live Event ticketing (approx. 35% sales growth combined) and Entry Fee revenue growth assumptions.
Dependencies, Risks & Issues	
Implementation Approach	<ul style="list-style-type: none"> - Draft detailed requirements statement and shortlist potential suppliers, to whom ITT is sent - Aim to select partner by Spring 15 with implementation complete by Autumn 15

City Proposals: Catering

Outsource Catering To Third Party (Proposal C7) - Summary

Context / Issue	Catering offer is extremely poorly run across all venues – limited offer, poor quality, does not constitute a reason to visit or return – and does not make the profit contribution that it should.
Proposal	Outsource the catering operation to a third party operator. As well as the catering outlets within Cultural Services, there may be other GCC catering outlets that could be included in this contract award.
Rationale & Benefits	<ul style="list-style-type: none"> - Delivers a guaranteed income stream (concession model) with no costs or management overhead - A larger operator will bring purchasing efficiency, staffing efficiency and menu management - Partner may contribute a level of capital investment at start-up
Details	<ul style="list-style-type: none"> - The existing business may not be especially attractive to a third party operator but once the developments set out herein are in place, the range of outlets becomes much more marketable. - It would be important to select the right operator who could operate the outlets in line with the vision set out later in these proposals.
Capex Requirement	No capex associated with the outsourcing approach per se, but each of the outlets requires investment as set out elsewhere (totalling £445k across all three locations).
P&L Impact	Forecast revenues for the new-look catering outlets total just over £2M (see Appendix 1 for detail) with concession income forecast at circa £300k (based on 15% concession rate). This contrasts with current performance which is at around break-even.
Dependencies (D), Risks (R) & Issues (I)	Significant dependency on 25 Eastgate Street development (see below) since this provides the scale and will drive optimal commercial terms (D). As an absolute minimum, Library Café development would need to proceed as otherwise may not be sufficiently attractive to third party caterers.

City Proposals: Catering

Outsource Catering To Third Party (Proposal C7) – Summary (cont'd)

Implementation Approach

- Appoint Fixed Term Project Manager with catering tender experience or retain catering consultant to assist with tender management.
- Identify any additional GCC sites which might fall within tender (e.g. Crematorium, Herbert Warehouse).
- Draft Pre-Qualification Questionnaire and send to potential tenderers.
- Produce tender documentation incorporating full list of requirements, tender process details and contract award criteria.
- Run competitive tender process – aim to appoint by Spring 15.
- Work with new catering partner to develop outlet concepts and plan phased refurbishments and re-launch programme.

Part 2: Guildhall

Guildhall: Current Financial Position

Overview

- Loss in 13/14 of 503k, improving to £399k in 14/15.
- Ticket sales improving (cinema led), but venue hire is forecast to decline this year.
- EBIT improvements due to cost savings rather than improved trading.
- Employee costs are high but a portion of the 'Guildhall Support' team's time is deployed in support of wider Council initiatives (ShopMobility etc.) for which no income is recognised.
- Significant buildings maintenance expenditure is required (totalling £930k over next 10 years).
- Factoring in forecast annual additional building maintenance costs (£96k per year), the loss will return to circa £500k in future years without further action.

		13/14 Actual	14/15 Forecast
Income			
Gross Revenue			
	Entry Fees	0	0
	Ticket Sales (Live Events)	173,667	317,760
	Ticket Sales (Cinema)	51,495	
	Workshops	23,448	
	Exhibitions	0	0
	Other Event Income	421	433
	Venue Hire	73,060	39,446
	Restaurants & Bars	139,503	140,000
	Merchandise	0	0
	Other	14,097	2,631
	TOTAL	475,691	500,270
Costs			
Expenditure			
	Employees	521,544	530,000
	Premises Related Expenditure	45,174	46,931
	Utilities	29,686	25,000
	Transport Costs	1,542	1,487
	Supplies and Services	366,271	295,847
	Other Charges	247	0
	Loan Interest	0	0
	TOTAL	964,464	899,265
	EBITDA	-502,793	-398,995

Guildhall: SWOT Analysis

Strengths

- Unique, interesting, atmospheric building with great heritage.
- Significant goodwill from existing users
- Committed and enthusiastic staff team
- Good daytime location (though current entrance setup undermines this)

Weaknesses

- Low awareness, 45% of survey 'non-user' respondents don't know where the Guildhall is.
- Brand is confused and cultural offer not clearly communicated.
- Café/bar offer is poor and loss making
- Evening ambience outside building is poor due to absence of other evening / A1 venues.

Opportunities

- Re-launch Guildhall with major new elements to the offer and more effectual marketing and communications.
- Create new street level café/bar destination to drive significant increased revenues.
- Refurbish auditorium balcony to increase capacity and profitability of live events.
- Fully commit to cinema business with clear differentiation from multiplex.
- Drive venue hire business with more aggressive commercial sales effort.

Threats

- Inaction – or failure to be sufficiently radical - which will see continuing declines in trading performance.
- Building maintenance costs
- Failure to effectively deploy and secure the financial benefits of capital investments.

Guildhall: Building Evaluation

Location

- Excellent daytime location with extensive footfall
- However, Eastgate Street becomes deserted and can feel unsafe in the evening (since no A1 activity) when the bulk of the Guildhall's events are taking place.

Condition

- Grade II listed building
- Atmospheric but generally tired interior. Some major works due in next 10 years. GCC Asset Management report suggest expenditure of £960k over next 10 years.

Visibility / Access

- Street frontage given over to tenant (currently TSB occupy) on long lease.
- Resulting visibility is very poor, affecting awareness and daytime footfall into the building in particular.
- Entrance area is dark and uninviting, box office area is cramped.
- Roof parking (free in evening) is useful but awareness is still low and the roof entrance is extremely uninviting.



Facilities

- Main Hall fit for purpose though would benefit from additional seated capacity.
- Café in need of total redevelopment and improved visibility/access from street.
- Cinema is a unique room but would benefit from improved seating.
- Meeting rooms are tired and would benefit from a minor refurbishment.

Guildhall: High Level Options

Prior to developing specific proposals for the development of the Guildhall, three high level options were considered, with Option 1 being selected as the most appropriate in all the circumstances.

	Option 1 Invest In Existing Location	Option 2 Invest In New Location	Option 3 Closure
Summary	Invest in improving provision in current location to improve commercial return.	Move provision to a new location, perhaps with a larger main auditorium capacity.	Close down Guildhall in order to reduce annual losses.
Advantages	<ul style="list-style-type: none"> - Lower investment requirement than Option 2. - Provides opportunity to kick-start city centre night time economy. - Can be delivered in short term with a level of certainty. 	<ul style="list-style-type: none"> - Opportunity for a purpose built theatre / arts centre in a new location. 	<ul style="list-style-type: none"> - Immediate reduction in subsidy (although not eradicated given building costs).
Disadvantages	<ul style="list-style-type: none"> - Some commercial opportunities limited by layout and condition of building. 	<ul style="list-style-type: none"> - No obvious alternative use for existing building, meaning GCC continues to incur maintenance costs. - Larger capacity venue not necessarily appropriate in the context of wider regional provision. - Long lead time to delivery, with continued losses in short term from existing operation. - Very large capital investment required for new-build. - New location outside of city centre could further erode city centre economy. 	<ul style="list-style-type: none"> - No obvious alternative use for existing building, meaning GCC continues to incur maintenance costs. - Entails significant reduction in cultural provision for Gloucester residents. - Further erodes city centre night time economy.

Guildhall: High Level Options

Assessing the Guildhall's Regional Positioning

An important consideration in deciding to invest in improving the Guildhall on the current site (i.e. Option 1, above) is the appropriateness of the main auditorium, and its capacity, in the context of wider regional provision.

Fig 4, overleaf, shows the Guildhall in relation to other venues in the region (focussing on those with a strong live music offer).

From this analysis, a number of observations can be made:

1. There is no shortage of larger capacity venues in the region, and establishing the Guildhall in a new location with a bigger auditorium (were that possible), will not obviously enable the Guildhall to capture an under served market segment.
2. In fact, with a capacity of 400, the Guildhall occupies a clear market tier alongside The Fleece in Bristol, Komedia in Bath and Clwb Ifor Bach in Cardiff, all of which are busy and popular destinations on the touring circuit and the Guildhall often features alongside them on scheduled tours due to the similar capacity.
3. However, the fact that Gloucester is not seen as a 'top tier' location for agents, management and labels often sees the Guildhall overlooked when some tours are routed. This is particularly the case when new bands have very early success and their management choose to target London, Manchester, Birmingham, Bristol, Cardiff and Glasgow almost exclusively. This decision rarely hinges on capacity, and more so on where the most impact can be made on the act's fan base.
4. That said, the Guildhall has historically punched above its weight and continues to do so. The venue has developed an excellent reputation in music circles adored by bands and audience alike, and there are many agents across the biggest agencies in the country who do have the Guildhall in mind when their artists tour. This has seen the likes of Robert Plant, Lily Allen, Primal Scream, Foals and The Maccabees play the Guildhall, when they would ordinarily be expected to play much bigger venues.

It follows that the Guildhall should play to its already-established strengths and seek to make further inroads within its current market segment, by improving the existing building and facilities rather than seeking to move to a new location with the associated risks and loss of heritage and goodwill that has been built up over many years.

Guildhall: High Level Options

Assessing the Guildhall's Regional Positioning (cont'd)

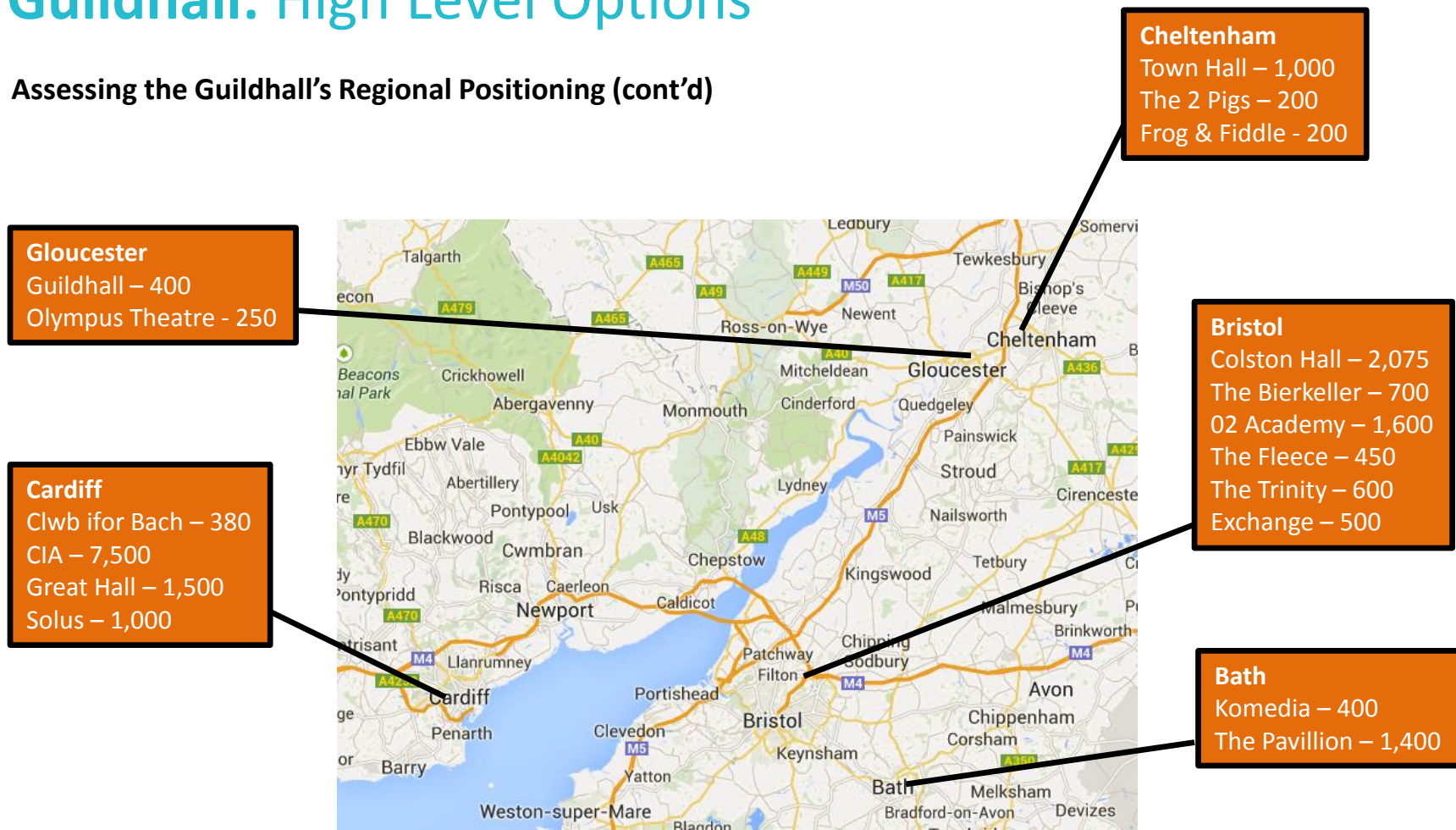


Fig 4. Gloucester venues in context of regional provision (venue name and capacity shown)

Guildhall Proposals: Executive Summary

- The proposals set out overleaf, if implemented, are capable of transforming the Guildhall into a vibrant cultural hub.
- They require GCC to back the Guildhall with a bold series of capital investments that will transform the venue into a properly functional multi-arts venue that is able to operate with a much reduced subsidy.
- The reinvigorated Guildhall can be at the heart of a revitalised city centre and can be the catalyst for a new day/night economy in the heart of the city.
- The proposals that follow cover all of the commercially significant aspects of the Guildhall's activities and aim to create:
 - A new frontage with street level box office and café bar
 - Re-launched food and drink offer designed to attract customers from breakfast through to late evening
 - Expanded meeting and venue hire facilities
 - A refurbished and dedicated cinema space with improved seating and expanded content, including live cinema relays.
 - An expanded capacity main hall capable of hosting a wider range of events
 - A fit for purpose staff team and back-office that is capable of marketing, selling and executing the various elements of the revised vision for the Guildhall.

Guildhall Proposals: Proposition

Refine The Visitor Proposition (Proposal G1) - Summary

Context / Issue	<p>Research indicated that the proposition presented by the Guildhall is not well understood by Gloucester residents. In particular, residents tend to think of the Guildhall as a concert venue only, or where they are aware of other activity, it tends to be just that activity that they are aware of. There is therefore a need to better communicate the breadth of offer.</p> <p>This will involve moving away from the current strapline: “The county’s liveliest venue”</p>
Proposal	<ul style="list-style-type: none">(i) In partnership with a marketing agency (to be appointed), develop a better explanation of the Guildhall’s proposition – initially a statement for internal use/agreement, and thereafter a version suitable for use in marketing materials.(ii) Seed this new proposition through marketing and other communications in order to gradually broaden perceptions of the Guildhall’s wide offer.

Possible direction for Guildhall proposition:

Gloucester Guildhall
Vibrant music, film and culture

Guildhall Proposals: Marketing & CRM

Context / Issue	Proposal(s) G2 – Summary
<p>Planning. No formal marketing plan is in place.</p> <p>Brand visibility. There is little ‘above the line’ activity to improve awareness and available budget is not being deployed as smartly as it needs to be.</p> <p>Communications segmentation. ‘One size fits all’ approach does not take into account different market segments.</p> <p>Direct marketing. Underutilised at present, though some progress has been made in capturing email addresses and building a database of customers.</p> <p>Customer reward / membership. Very little activity in this area currently other than a film goer stamp card.</p> <p>Creative. Materials are functional but lack cut-through.</p>	<p>Document a marketing plan (including PR and social).</p> <p>Look to improve brand visibility in key market segments (linked to revision in proposition).</p> <p>Better segment customer communications, ensure messages are relevant and delivered appropriately.</p> <p>Increase use of direct channels and build richer customer database to power future campaigns.</p> <p>Introduce membership system with cross sell benefits to promote engagement.</p> <p>Appoint agency to elevate creative and support wider thinking on proposition and approach.</p>

Budget Implications

To enable the above, it is proposed that the Guildhall marketing budget is increased from £25k to £50k per year, and this has been reflected in the P&L forecasts found below. The additional marketing budget required is reduced because of the 25 Eastgate Street development (see below) which provides a large amount of ‘free’ advertising to high street users.

Guildhall Proposals: New Frontage, Café Bar, Box Office

Acquire 25 Eastgate Street – New Frontage, Café Bar, Box Office (Proposal G3) - Summary

Context / Issue	The lack of a High Street frontage is a key reason for the low awareness of the Guildhall amongst residents. The lack of a street level box office and café/bar is a significant missed revenue opportunity.
Proposal(s)	<p>Acquire or lease 25 Eastgate Street (next door property, currently owned by Aviva and leased by Arcadia) in order to create new street level café bar and box office on ground floor. Utilise 1st and 2nd floors as new venue/meeting hire and studio spaces. New facilities to be connected to existing Guildhall building so as to function as one integrated complex.</p> <p>An initial approach has been made to Aviva (by Philip Ardley, GCC) and, whilst the building is not on Aviva's disposal list, they have indicated a willingness to sell if an acceptable offer is made.</p>
Rationale & Benefits	<p>The existing lease with C&G/TSB on the ground floor of the Guildhall building makes it very unlikely that this part of the building could be reclaimed and, in any event, the building is structurally restrictive. Acquisition of 25 Eastgate Street enables:</p> <ul style="list-style-type: none">- the creation of a significantly revenue generating café bar (Ground Floor)- a street level box office that will generate greater awareness and ticket sales (Ground Floor)- an increase in venue hire facilities (and an ability to relocate activity from cinema, enabling its conversion to a dedicated cinema / auditorium) (First Floor)- the creation of new studio facilities that may enable housing a theatre/dance company (e.g. Strike A Light or Dust), which may in turn unlock Arts Council funding (Second Floor).

Guildhall Proposals: New Frontage, Café Bar, Box Office

Acquire 25 Eastgate Street – New Frontage, Café Bar, Box Office (Proposal G3) – Summary cont'd

Details	Further details about this scheme, including the Café Bar concept, are set out overleaf.
Capex Requirement	<p>The capital requirements to purchase and fit out are currently estimated as follows.</p> <p>Purchase: £4M (worst case, would hope to acquire for less), inclusive of professional fees Ground floor fit out (café/bar, box office): £300k First floor fit out (meeting rooms x 2): £40k Second floor fit out (studio / meeting room): £40k Structural changes to connect to Guildhall: £80k</p> <p>Total investment required: £4.46M</p>
P&L Impact	<p>Direct:</p> <ul style="list-style-type: none"> - Café bar sales of £1.3M per year, generating concession income of £190k. - Venue hire income of £50k per year - Rental income from performing company - £20k per year - Income of £260k versus depreciation (excl. building purchase) and other costs of £75k <p>Indirect:</p> <ul style="list-style-type: none"> - Visibility / awareness improvements - Box office / tickets sales benefits
Dependencies (D), Risks (R) & Issues (I)	<ul style="list-style-type: none"> - Whilst in principle willing to sell, Aviva are likely to negotiate hard on the sale price which could delay or adversely affect the viability of the scheme (R) - Dorothy Perkins are a sitting tenant with, we understand, 2 years remaining on their lease (I)



Proposal G3. Building adjacent to Guildhall, 25 Eastgate Street, is owned by Aviva and there is the opportunity to acquire. Would provide prime high street location and can be connected to Guildhall. Unit much more suitable for conversion than TSB site as no listing and architecturally more straightforward to adapt.



Gundry & Ducker

Proposal G3. *Impression of how a new entrance /
café bar / box office at street level might look.*

Guildhall Proposals: New Frontage, Café Bar, Box Office

Acquire 25 Eastgate Street – New Frontage, Café Bar, Box Office (Proposal G3) – Summary cont'd

Implementation Approach

If/when investment approved in principle by GCC, the following process would follow:

- Obtain building plans (current requested but not received at the date of writing) and verify suitability of building with architects. Gundry & Ducker have made a preliminary assessment on the basis of a visual inspection of the building and are reasonably satisfied but a more detailed review is nonetheless needed.
- Obtain full details of current lease holder terms, with a view to informing strategy to delay purchase, buy-out tenancy or offer no penalty early termination (which may tie in with Arcadia plans for site in any event).
- Philip Ardley, GCC, to lead purchase negotiation in concert with other Aviva discussions.

Guildhall Proposals: New Frontage, Café Bar, Box Office (cont'd)

Café Bar Concept - Environment

Guildhall Bar & Kitchen

Informal, convivial, independent - a place to meet, work, relax, eat.

Breakfast, lunch, afternoon, dinner, evening bar.

More than a café, less than a restaurant – small menu, perfectly delivered.



Guildhall Proposals: New Frontage, Café Bar, Box Office (cont'd)

Café Bar Concept – Food & Drink

Guildhall Bar & Kitchen

Breakfast: Granola, Croissant, Eggs Benedict

Lunch: Sandwiches, Salads, Soups, Stews, Pizzetta, Pies, Tarts, Cold Plates

Morning/Afternoon – Tea, Coffee, Cakes, Snacks

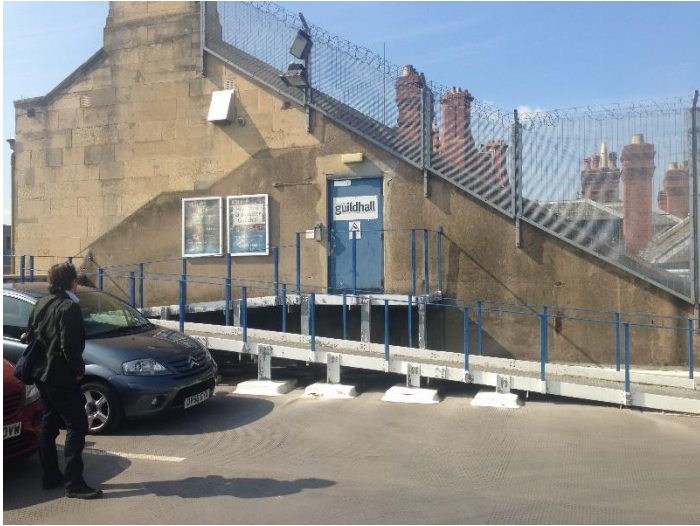
Evening – Pasta, Goulash, Sharing Platters, Desserts, Craft Beers, Spirits, Prosecco



Guildhall Proposals: Roof Entrance Improvements

Improve Roof Entrance (Proposal G4) - Summary

Context / Issue	Free evening parking and direct access from car park is an attractive feature of the Guildhall's offer but this is undermined by the uninviting roof entrance.
Proposal(s)	Make a small capital investment to refresh the roof entrance and then make a more concerted effort to drive awareness of this access route.
Rationale & Benefits	<ul style="list-style-type: none"> - Leverages a point of difference over other leisure destinations - Constitutes free marketing to car park users
Details	- See plans overleaf
Capex Requirement	- Estimated at circa £7k
P&L Impact	- Not specifically assessed, but factored into overall revenue growth assumptions
Dependencies (D), Risks (R) & Issues (I)	- There is some ambiguity about ownership of the 25 Eastgate Street roof area, but this would be resolved if 25 Eastgate Street was acquired by GCC. (I)
Implementation Approach	Straightforward design and installation task. Include in 2015 capital plans and install in Apr 15.



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Proposal G4. Simple design changes to the roof entrance will make it much more appealing and accessible..

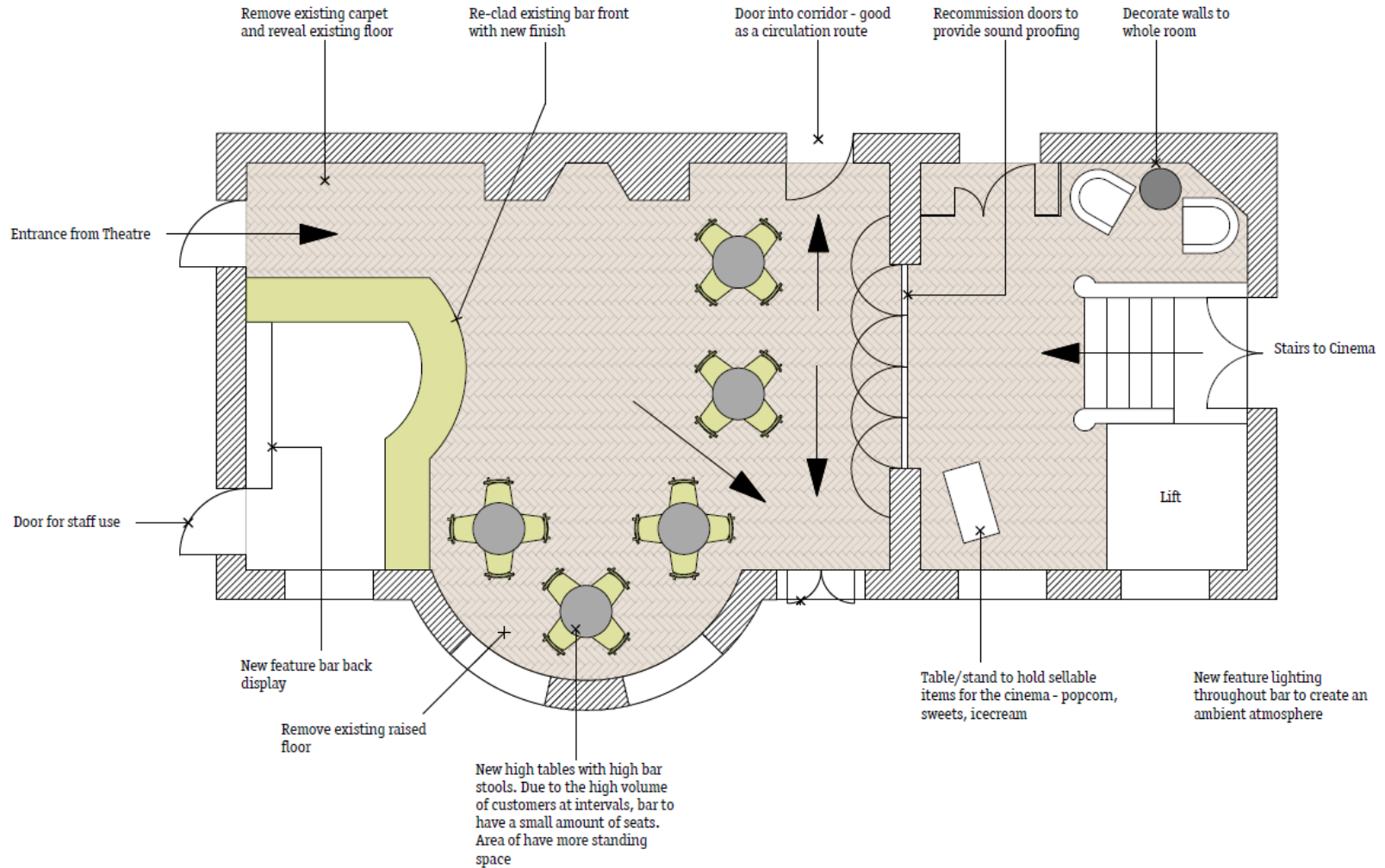
Guildhall Proposals: Upper Level Bar Refurbishment

Upper Level Bar Refurbishment (Proposal G5) - Summary

Context / Issue	The existing Guildhall bar is extremely tired and in need of a refresh and layout improvements to improve standing capacity on busy evenings.
Proposal(s)	<ul style="list-style-type: none"> - Given the 25 Eastgate Street development, under these proposals the Upper Level bar would become an evening only bar serving attendees at concerts, cinema performances and workshops. - That being the case, a light touch refurbishment is proposed to refresh the bar environment and increase the standing capacity so as to maximise evening sales.
Rationale & Benefits	<ul style="list-style-type: none"> - Notwithstanding the creation of Guildhall Bar & Kitchen, the Upper Level Bar still has an important role to play in delivering drinks-led sales pre-show, interval, and post-show. - The proposed refurbishment will ensure the bar is fit for this task
Details	- See plan overleaf
Capex Requirement	- Estimated at £45k
P&L Impact	Forecasting annual sales of £197k, concession income of £30k. Sales increase linked to higher cinema audiences and capacity increases (as well as improved average attendances) in Main Hall.
Dependencies (D), Risks (R) & Issues (I)	
Implementation Approach	Delay planning until new catering partner appointed. Thereafter, redesign in partnership with caterer. Can proceed largely independently of 25 Eastgate St project, therefore from Spring 15 subject to caterer appointment.

Proposal G5. Plan and summary of proposed changes to existing Guildhall bar (now referred to as Upper Level Bar)

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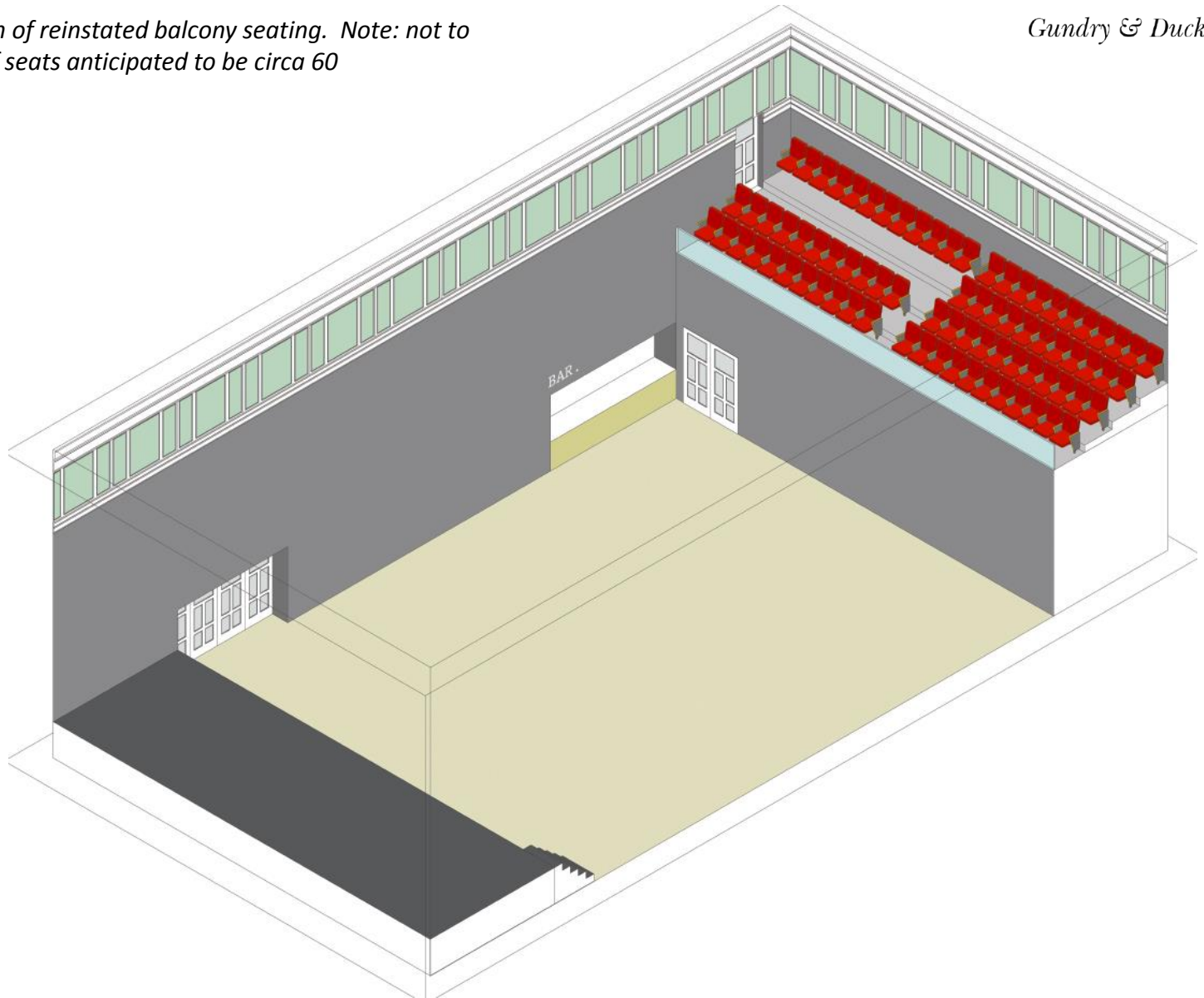
Guildhall Proposals: Main Hall Balcony Reinstatement

Main Hall Balcony Reinstatement (Proposal G6) - Summary

Context / Issue	The current Main Hall Balcony is filled with obsolete tech boxes. Meanwhile, many customers who would prefer to sit are unable to attend standing only concerts. Additionally, many seated events sell out.
Proposal(s)	Reinstate seating on the Balcony to create seated capacity at standing events and to expand capacity at seated events. Plan to implement for Spring 15.
Rationale & Benefits	<ul style="list-style-type: none"> - Generates incremental ticketing revenue with very little additional cost (outside of initial capex) - Provides a seating solution at standing only gigs - Provides the opportunity (thought by no means applicable to every event) to create a premium tier (with waitress served drinks for example).
Details	Remove tech boxes, install circa 60 seats. See illustration overleaf.
Capex Requirement	Estimated at £50k
P&L Impact	Generates additional annual sales revenue of circa £60k, much of which falls to the bottom line as event costs already covered. Roughly doubles Guildhall profit per event – from circa £500 per event currently, to circa £1,000 per event, whilst also allowing for slightly higher payment to artists.
Dependencies (D), Risks (R) & Issues (I)	The main issue is that is not likely to be cost effective to provide lift access to the balcony (this is not included in the costing here) and this will mean that those with mobility problems will not be able to access this tier. This is something GCC will need to be comfortable with before proceeding with this initiative. (I)

Proposal G6. Impression of reinstated balcony seating. Note: not to scale – actual number of seats anticipated to be circa 60

Gundry & Ducker



Guildhall Proposals: Cinema Enhancements

Enhance Guildhall Cinema, Including Improved Seating (Proposal G7) - Summary

Context / Issue	The cinema business is being held back by a poor customer experience that falls short of the expectations for an indie cinema offer, particularly in the areas of live content and seating comfort.
Proposal(s)	<ul style="list-style-type: none"> - Introduce live content into schedule from Jan 15 - Refurbish cinema (Spring 15) and reposition as dedicated cinema with high quality fixed, raked seating - Introduce cinema snacks retailing - Enhance venue hire business through inclusion of high quality auditorium option
Rationale & Benefits	<ul style="list-style-type: none"> - Support increased revenues through (a) higher attendance (new audience and increased repeat attendance); (b) higher ticket prices; and (c) increased food and drink spend. - Provision of improved experience to cinema customers
Details	<ul style="list-style-type: none"> - Live content introduced into programming from Jan 15 - New fixed, raked seating installed (see illustrations overleaf) - All workshops, private hires etc. that are incompatible with auditorium seating are moved to other locations.
Capex Requirement	<ul style="list-style-type: none"> - Live content investment already made. - Additional Capex of £45k for raised seating and general refurbishment of room,
P&L Impact	<ul style="list-style-type: none"> - Annual sales increase from £51k to £111k (inclusive of price increases) – see Appendix 2 for detail - Profit contribution (after all costs and staffing) increased from £10k to £45k

Guildhall Proposals: Cinema Enhancements

Enhance Guildhall Cinema, Including Improved Seating (Proposal G7) – Summary (cont'd)

Dependencies (D), Risks (R) & Issues (I)

D: Ideally synchronised with creation of alternative event/venue space (as per Proposal G3) to enable existing venue hire business to move – but business case would support going ahead anyway even if proposal G3 is delayed or not progressed, since forecast earnings from cinema exceed venue hire earnings for this space.

D: Relies on improved marketing approach and website/box office enhancements.

R: Improvements in quality of offer do not translate into sufficient increase in revenues to offset amortisation of capital investment.

R: Further independent cinema competition associated with Kings Place development. This is a possibility under current plans from Stanhope/Curzon. GCC should consider carefully whether to encourage the private sector to develop provision in this area or to leave the path open to leverage a return on its own investment. This is an area of Guildhall activity that has the clear potential to be significantly profitable and there may therefore be a case for GCC policy to seek to avoid encouraging additional town centre cinema developments.

Implementation Approach

- A decision must first be taken regarding the Stanhope/Curzon proposals as, if they are to proceed, it would be unwise to make further investments in the Guildhall cinema offer.
- If the Stanhope/Curzon plan is rejected, then the proposed investments and cinema offer improvements should progress apace as there is a clear and immediate revenue growth opportunity.
- This could potentially see the proposed changes made during Spring 2015.

Proposal G7. Cinema seating design inspiration



Everyman - Leeds



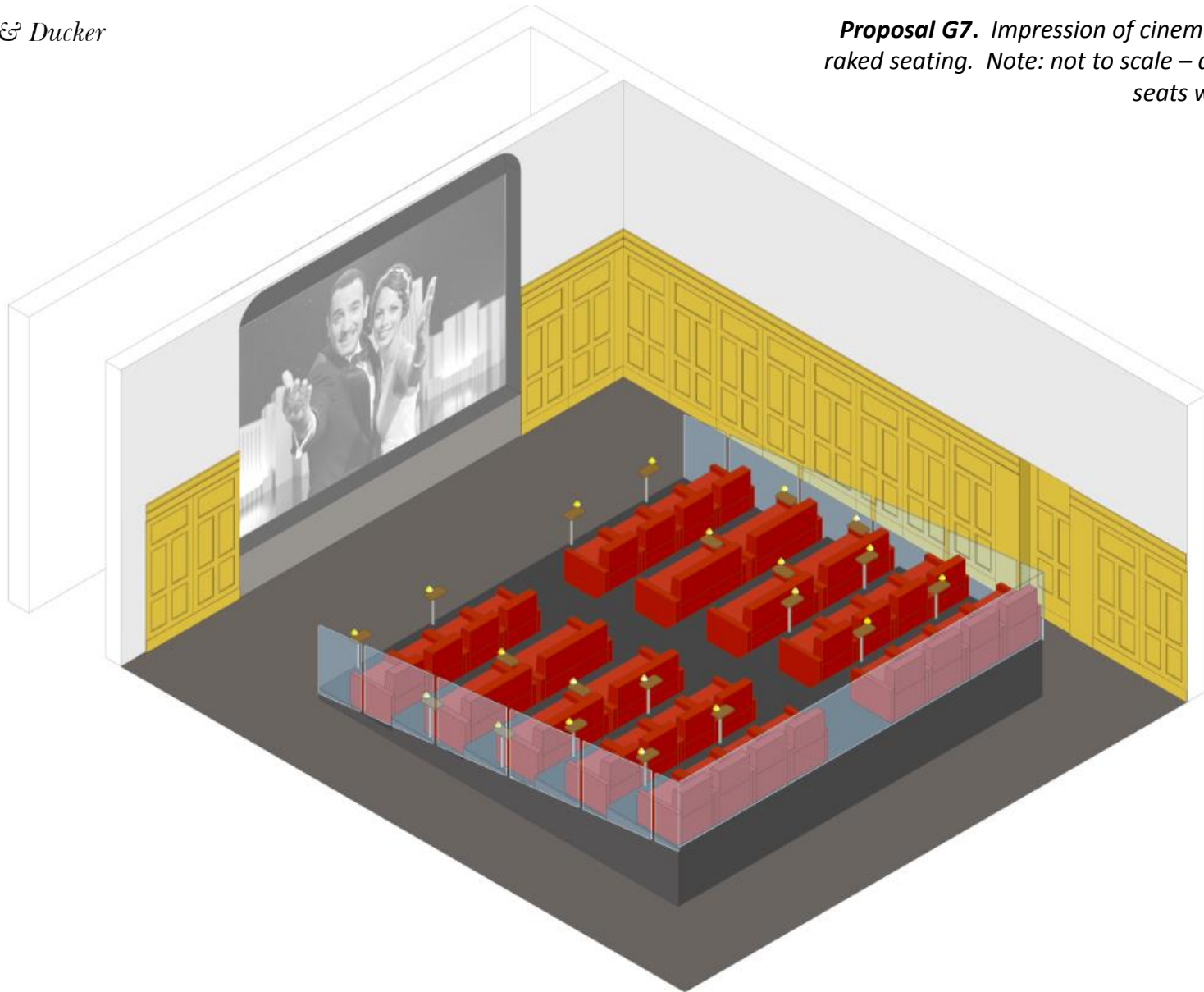
Everyman



The Electric Notting Hill

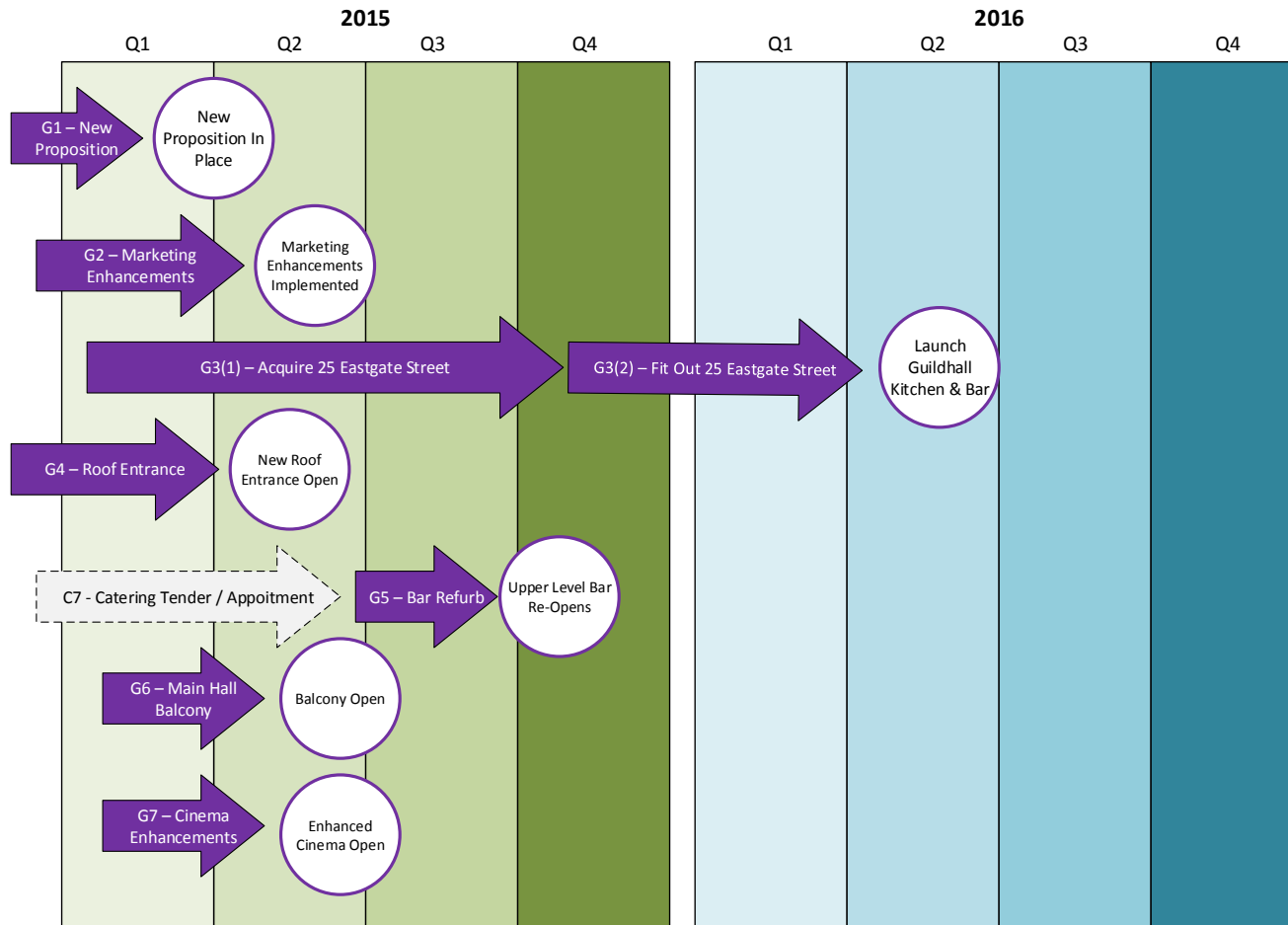


Proposal G7. Impression of cinema with dedicated raked seating. Note: not to scale – actual number of seats would be circa 65



Guildhall Proposals: Implementation Timetable

The timeline below sets out a possible implementation timetable for the Guildhall proposals, taking into account key dependencies and lead times.



Guildhall: Financial Impact Analysis

Impact of Proposals

- The P&L summary shown here models the effect of the proposals set out herein, once fully implemented, and after any cost of change.
- Once implemented, it is estimated that the Guildhall EBITDA loss would reduce from the circa £400k forecast for the current year to a figure nearer to £175k.
- The improvement would be greater (a further £96k) were it not for the very significant property maintenance costs forecast for 15/16 onwards.
- Opportunities for yet further financial improvement include:
 - Securing capital contributions from incoming catering partner, which may be possible depending on the length of contract awarded.
 - Securing additional support from ACE or other bodies associated with the an artistic company residency (which may be possible with 25 Eastgate Street facilities)

	13/14 Actual	14/15 Forecast	Full Year New Model	Notes
Income				
Gross Revenue				
Entry Fees	0	0	0	
Ticket Sales (Live Events)	173,667	317,760	295,000	£62k of uplift from new balcony capacity. Further uplift from revised programme, street level box office, improved marketing and new website
Ticket Sales (Cinema)	51,495		111,354	Impact of dedicated seating, addition of live content, street level box office etc.
Workshops	23,448		30,000	Additional space at 25 Eastgate gives scope for modest further growth in this area
Exhibitions	0	0	0	
Other Event Income	421	433	500	
Venue Hire	73,060	39,446	175,000	Room hires to £125k from existing building, with improved refurbished rooms, dedicated team, improved sales and marketing effort. Further £75k per year associated with new 25 Eastgate St facilities.
Restaurants & Bars	139,503	140,000	219,518	Forecast concession income from catering partner (street level café bar plus upper level events bar)
Merchandise	0	0	0	
Other	14,097	2,631	50,000	£30k cross charge for support provided to other GCC functions. £20k per year from 'anchor tenant' arts group (based in 25 Eastgate St).
TOTAL	475,691	500,270	881,372	
Costs				
Expenditure				
Employees	521,544	530,000	480,999	Reduction in Catering and Guildhall Support teams. Offset by investment in duty mangement and new Venue Hires Team. Includes 65% share of Shared Services team.
Premises Related Expenditure	45,174	46,931	110,000	Based on GCC Asset Management forecast plus allowance for 25 Eastgate Street
Utilities	29,686	25,000	40,000	Increase based on addition of 25 Eastgate Street
Transport Costs	1,542	1,487	1,500	
Supplies and Services	366,271	295,847	288,056	Now excludes any food and drink stock (new model). Also includes extra £25k per year marketing budget. Provision for new website/box office system @ 4% of sales.
Other Charges	247	0	0	
Loan Interest	0	0	138,600	Assumes £4.62M borrowed at 3%, interest only
TOTAL	964,464	899,265	1,059,155	
EBITDA	-502,793	-398,995	-177,783	
Depreciation (Capital Works)	0	0	65,525	Combined depreciation charge (excluding property purchase)
Minimum Revenue Provision (25 Eastgate St)	0	0	80,000	Accounting requirement but no cash impact and asset retains value. Assumes purchase price of £4M, amortised over 50 yrs.
EBIT	-502,793	-398,995	-323,308	

Part 3: Museums

Museums: Current Financial Position

Overview

- Combined loss across both museums in 13/14 of 371k, improving to £283k in 14/15.
- Income down on all trading lines in 14/15, EBIT improvements due to cost savings.
- Significant drop in catering income following closure of Folk Museum café.
- Significant buildings maintenance expenditure is required (totalling £1,827k over next 10 years).

		13/14 Actual	14/15 Forecast
Income			
Gross Revenue			
	Entry Fees	39,500	28,354
	Ticket Sales (Live Events)	0	
	Ticket Sales (Cinema)	0	0
	Workshops	0	
	Exhibitions	0	0
	Other Event Income	9,500	15,157
	Venue Hire	21,000	10,495
	Restaurants & Bars	47,500	25,428
	Merchandise	23,500	19,730
	Other	2,395	15,299
	TOTAL	143,395	114,463
Costs			
Expenditure			
	Employees	328,081	258,821
	Premises Related Expenditure	54,478	51,885
	Utilities	39,324	39,000
	Transport Costs	383	550
	Supplies and Services	92,741	47,299
	Other Charges	0	0
	Loan Interest	0	0
	TOTAL	515,007	397,555
	EBIT	-371,612	-283,092
	Depreciation (Capital Works)	0	0
	EBITDA	-371,612	-283,092

Museums: SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none">• Folk Museum Garden• Ed Shed – good venue hire space• HLF bid already in progress to refit City museum 2nd Floor.	<ul style="list-style-type: none">• Museum propositions are not well explained or communicated.• Significant missed opportunity to attract tourists• Catering offer does not provide a reason to visit
Opportunities	Threats
<p>City Museum</p> <ul style="list-style-type: none">• Address marketing and city signage failings to attract more tourists (as well as locals).• Remodel café and connect through to Library, thereby increasing potential audience. Configure as value-led local café serving users and neighbours (new housing). <p>Folk Museum</p> <ul style="list-style-type: none">• Rename• Revise offer around ‘experiential environments’ (e.g. the Victorian classroom) with costume and enactments.• Focus on driving venue hire business• Reinstate café as a ‘secret garden’ and rebuild custom, independently of museum operation.	<ul style="list-style-type: none">• Inaction – or failure to be sufficiently radical - which will see continuing declines in trading performance.• Building maintenance costs• Failure to secure HLF bid• Failure to effectively deploy and secure the financial benefits of capital investments.

Museums Proposals: Executive Summary

- The proposals set out overleaf recognise that much of value is already planned in terms of improvements to the quality of the offer at the City and Folk Museums. The City Museum HLF bid is underway and represents the right direction for the museum to be taking. Plans for the Folk Museum's development are at an earlier stage but, equally, are moving the institution in the right direction.
- Given the above, the focus of this project been on the sales and marketing approach and on the commercial activity that sits around these visitor experiences, and particularly the hospitality elements, given the ability of good hospitality to generate repeat visits and to drive significant revenues.
- Hence the proposals that follow are principally concerned with:
 - simplifying pricing and the value proposition
 - bringing about significant enhancements to all aspects of the museum marketing effort, resulting in a greater effectiveness and higher number of visitors;
 - reinvigorating the hospitality operation so it can better play its vital role;
 - maximising commercial performance in other supporting areas such as venue hire, such that museum subsidies can be reduced as much as possible.

Museums Proposal: Charging

Implement New Charging Model (Proposal M1) - Summary

Context / Issue	The current charging model used by the museums is insufficiently clear, is not generally perceived to be good value and does not distinguish effectively between local residents and visitors/tourists who have differing attitudes to value and repeat visits.
Proposal(s)	Implement a new super-simple charging structure based on a single charge that gives 12 months general admission access to both museums. Capture personal details at point of purchase – ostensibly to enable replacement tickets to be issued, but also allows customer database to be built.
Rationale & Benefits	<ul style="list-style-type: none"> - Simple to market and explain - Provides greater benefit/value to locals who are able to make repeat visits during the year - Represents improved value versus current arrangements - Provides context for driving greater visitor numbers and growing entry fee revenues
Details	<p>Adults - £5</p> <p>Children (16 or under) and OAPs - £3</p> <p>Family Ticket (2 adults and 2 children) - £12</p>
Capex Requirement	None
P&L Impact	Suggested initial target is to get to 30,000 paying visitors per year across both museums combined (equates to average of 2,500 per month / 577 a week / 82 per day). This would generate revenues of £130,000 per year, up from current levels of circa £30k.
Dependencies (D), Risks (R) & Issues (I)	- This increase is likely to require the HLF funded improvement to the City Museum to be in place before it can be fully achieved (D).

Museums Proposals: Charging (cont'd)

Example Pricing Presentation

Museum Entry Fees

All tickets provide 12 months unlimited general admission to
**The City Museum & Art Gallery, and
The Folk Museum**

Adults - £5

Children (16 or under) and OAPs - £3

Family Ticket (2 adults and 2 children) - £12

Please consider providing us with your details when you buy a ticket and then, if you lose it during your 12 month period, we can reissue it free of charge.

Museums Proposals: Opening Hours

Reduce Opening Hours (Proposal M2) - Summary

Context / Issue	The Museums are open for more hours than necessary to meet current demand and, whilst the intention is to increase attendance in the medium term, there is nonetheless an opportunity to reduce opening hours, at least in the short term.
Proposal(s)	Reduce opening hours for both City and Folk Museums, as per details below, from Jan 15.
Rationale & Benefits	<ul style="list-style-type: none"> - Staff savings from FOH hours reduction - Revised Folk Museum proposition benefits from visitors being focussed into narrower time slots
Details	<p>The City Museum will open to the public Tuesday to Saturday every week, except the Christmas holidays, 10 am – 4 pm (April to September) and 10 am – 3 pm (October to March).</p> <p>The Folk Museum will be open to the public Tuesday to Saturday every week, 10 am – 4 pm (April to September). During the winter months (October to March) they will only be open at the following times:</p> <ul style="list-style-type: none"> - October half term, Monday to Saturday, 10 am – 3pm - February half term, Monday to Saturday, 10 am – 3 pm - Every Saturday during October to March, 10 am – 3 pm, except when Christmas Day, Boxing Day or New Years Day falls on a Saturday. <p>During the winter months when closed, the museum will still be available for school bookings and room hires.</p> <p>Sunday opening trials will also be conducted to extended if successful.</p>

Museums Proposals: Opening Hours (cont'd)

Reduce Opening Hours (Proposal M2) – Summary cont'd

Capex Requirement	None
P&L Impact	<ul style="list-style-type: none">- Estimated savings of circa £19k per year.- Note that it is assumed that cafes are accessible outside of museum opening hours (straightforward in the case of the City Museum, some details still to be worked through as to how this works for the Folk Museum).
Dependencies (D), Risks (R) & Issues (I)	<ul style="list-style-type: none">- Staff consultation (D)

Museums Proposals: Marketing and CRM

Context / Issue	Proposal(s) M3 – Summary
<p>Planning. The museums have a difficult task in reaching two distinct markets (tourists and residents) but no formal marketing plan is in place</p> <p>Branding. Museums offer two distinct experiences in two separate locations, under two identities yet a joint approach is usually taken to visitor communications. This creates real confusion. Research revealed negative connotations around 'Folk'.</p> <p>Visitor Proposition. Requires much greater focus and explanation within promotional material.</p> <p>Value. The Museums offer great value for money but this is not explained or promoted effectively.</p> <p>Education Market. There is further potential to service this group and to use it as a way to promote more commercially lucrative follow-up visits from families.</p>	<p>Document a marketing plan (including PR and social)</p> <p>Change the name of Folk Museum (see below). Continue to promote in partnership but ensure there is a clearer distinction in brand and proposition.</p> <p>Identify the offer, identify what the customer can expect and articulate it in an engaging and informative way.</p> <p>Improve value promotion at point of sale.</p> <p>Expand this area and send visiting children home with membership offers and visitor promotions – give mum and dad a reason to return.</p>

Museums Proposals: Marketing and CRM (cont'd)

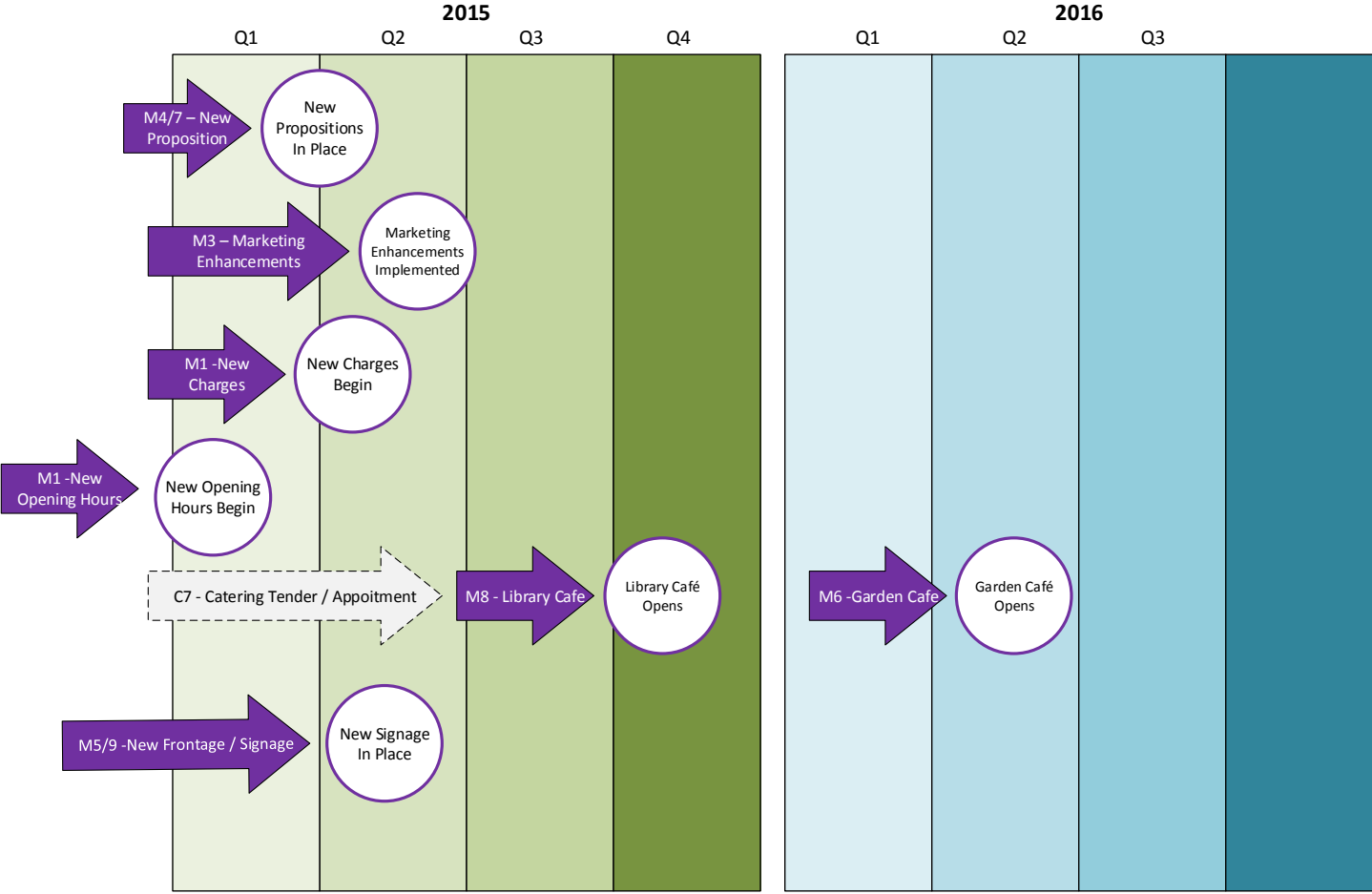
Context / Issue	Proposal(s) M3– Summary cont'd
<p>Tourism Market. The Museums are not currently marketed as a tourist visitor attraction. The 'What's On' guide is the primary means of communication but this does not typically find its way to tourists. No peak season tourist campaign is in place.</p>	<p>Refocus efforts to reach tourist market. Assess viability of tourism campaign in peak season.</p>
<p>Partnerships. Joint tickets or cross promotional offers with other attractions are an opportunity to counteract the 'out of the way' location of both Museums. Very little activity in place currently.</p>	<p>Look to establish joint ticketing and other cross promotional partnerships with other attractions.</p>
<p>Creative. Lacks cut-through and engagement. Fails to communicate a clear proposition or experience.</p>	<p>Creative needs to be elevated as part of a re-launch and rebrand of the Museums' offer, in partnership with a Marketing Agency (to be appointed).</p>
<p>Online. The online presence is inadequate and strategically underutilised.</p>	<p>Action quick wins on improving web content. Transfer newly created messaging and creative approach online.</p>

Budget Implications

To enable the above, it is proposed that the Museums marketing budget is increased from £25k to £50k per year, and this has been reflected in the P&L forecasts found below.

Museums Proposals: Implementation Timetable

The timeline below sets out a possible implementation timetable for the Museum proposals, including those set out in Parts 4 and 5 below, taking into account key dependencies and lead times.



Museums: Financial Overview

Impact of Proposals

- The P&L summary shown here models the effect of the proposals set out herein (including those set out below in Parts 4 and 5), once fully implemented, and after any cost of change.
- Once implemented, it is estimated that the Museums loss would reduce from the circa £283k forecast for the current year to a figure nearer to £199k.
- The improvement would be greater were it not for the very significant property maintenance costs forecast for 15/16 onwards across both sites.

	13/14 Actual	14/15 Forecast	Full Year New Model	Notes
Income				
Gross Revenue				
Entry Fees	39,500	28,354	130,000	Increased take-up, combined effect of tourist trail, marketing enhancements, new website, new charging, improved proposition, HLF improvements. Requires 20,000 full fee adults + 10,000 full fee children/concessions per year.
Ticket Sales (Live Events)	0		0	
Ticket Sales (Cinema)	0	0	0	
Workshops	0		0	
Exhibitions	0	0	0	
Other Event Income	9,500	15,157	22,000	Result of improved marketing and increased take-up
Venue Hire	21,000	10,495	48,000	Significant growth following creation of dedicated Venue Hire team
Restaurants & Bars	47,500	25,428	76,159	Concession income from Garden Café and Library Café
Merchandise	23,500	19,730	48,000	Increase linked to visitor numbr growth
Other	2,395	15,299	5,000	
TOTAL	143,395	114,463	329,159	
Costs				
Expenditure				
Employees	328,081	258,821	278,190	FOH savings due to revised operating hours. 35% share of Shared Services staff.
Premises Related Expenditure	54,478	51,885	125,000	Based on GCC Asset Management forecasts, less HLF contribution
Utilities	39,324	39,000	39,000	
Transport Costs	383	550	500	
Supplies and Services	92,741	47,299	70,200	Now excludes any food and drink stock (new model). Also includes extra £25k per year marketing budget. Additional stock costs associated with Merchandise sales. Provision for new website / box office system @ 4% of admission charges.
Other Charges	0	0	0	
Loan Interest	0	0	3,600	£120k borrowed at 3%, interest only
TOTAL	515,007	397,555	516,490	
EBIT	-371,612	-283,092	-187,331	
Depreciation (Capital Works)	0	0	12,000	
EBITDA	-371,612	-283,092	-199,331	

Part 4: Folk Museum

Folk Museum: Building Evaluation

Location

- Relatively poor location with no natural footfall, although close enough to the Cathedral to benefit with improved signage.

Condition

- Grade II Star listed building
- Exterior in very poor condition with major works required. GCC Asset Management report suggests expenditure of £657k over 10 years.

Visibility / Access

- Visibility from street is very poor (both from immediately outside and, more importantly, from Westgate Street).
- There is an opportunity to redirect tourists exiting the Cathedral but there is currently no attempt to do this.



Facilities

- Museum building itself is quaint and atmospheric, with significant personality.
- The site as a whole is only partially utilised, with large areas given over to storage and other back-of-house functions.
- The garden area is an excellent asset and has potential to be redeveloped as a key selling point (in concert with a re-opened café).
- The EdShed is a very good space with further venue hire potential.

Folk Museum: High Level Options

Prior to developing specific proposals for the development of the Folk Museum, three high level options were considered, with Option 1 being selected as the most appropriate in all the circumstances.

	Option 1 Maintain as a separate museum and invest in existing location	Option 2 Combine with City Museum in one location.	Option 3 Closure
Summary	Improve current offer in current location to drive better commercial performance.	Close current location and move ‘best of’ Folk Museum to City Museum, either on City Museum site on new site.	Close Folk Museum
Advantages	<ul style="list-style-type: none"> - Can be implemented on a short time frame, thus reducing losses quickly. - Maintains a well loved and unique cultural attraction. - Offers maximal revenue generation with two sites to exploit. 	<ul style="list-style-type: none"> - Would create a more marketable combined offer, if a suitable site could be found. 	<ul style="list-style-type: none"> - Some reduction in current subsidy, but not financially preferable to Option 1 since cost savings are minimal and building maintenance costs would remain.
Disadvantages	<ul style="list-style-type: none"> - Requires investment and acceptance of some risk in implementing turnaround plan. 	<ul style="list-style-type: none"> - No space within existing City Museum site, especially given current HLF plans that are well advanced. - Costs of moving to a completely new site are enormous and are highly unlikely to be fundable. - HLF bid would be de-railed - Implementation timetable would be many years, with losses continuing on the meantime. 	<ul style="list-style-type: none"> - Would rob Gloucester of a significant cultural attraction. - No possible other uses for building, thus significant building maintenance costs would remain without being offset by associated income.

Folk Museum Proposals: Proposition & Name

Refine The Visitor Proposition (Proposal M4) – Summary

Context / Issue	Research indicated that the proposition presented by the Folk Museum is very poorly understood by Gloucester residents. In addition, the name itself is felt to convey negative associations.
Proposal	<ul style="list-style-type: none">(i) In partnership with a marketing agency, develop a better explanation of the Folk Museum proposition – initially a statement for internal use/agreement, and thereafter a version suitable for use in marketing materials. This needs to capture the direction of travel towards a more immersive, more experiential, more theatrical experience focussed around ‘set piece’ environments and characters.(ii) Choose a new name for the museum that better reflects this proposition.(iii) Seed this new proposition through marketing and other communications

Possible directions for Folk Museum name and proposition:

Museum Of Gloucester Life

Journey through the lives and history of Gloucester’s people,
set within a beautiful Tudor house in the heart of the City.

Bishop Hooper’s House

Experience Gloucester life through the ages

Folk Museum Proposals: Frontage & Signage

Implement New Model (Proposal M5) - Summary

Context / Issue	Folk Museum visibility is extremely poor both from directly in front of the building itself and from Westgate Street, from where many potential visitors approach.
Proposal(s)	<ul style="list-style-type: none"> (i) Introduce new signage device outside building to improve visibility (ii) Introduce new sign/object on Westgate Street (near Cathedral) to capture attention of tourists and visitors in this location.
Rationale & Benefits	<p>Research demonstrated that many people cannot/do not find the Folk Museum</p> <p>This provides a means of addressing that and also placing a much stronger invitation in front of the high numbers of tourists who visit the Cathedral each year, or are in the Westgate Street vicinity for other reasons.</p>
Details	See visualisations overleaf
Capex Requirement	Estimated at £15k
P&L Impact	Not specifically assessed, but supports growth in visitor number assumptions
Dependencies (D), Risks (R) & Issues (I)	Will require approval of town planning (D)

Proposal M5. Impression of Westgate Street signage 'object' and improved external signage outside Folk Museum. Note: this illustrates the positioning but not the design of the sign itself, which would be the subject of further design work.



Gundry & Ducker

Folk Museum Proposals: Garden Café

Reinstate of Folk Museum Café – Garden Café (Proposal M6) - Summary

Context / Issue	The Folk Museum café was closed in 12/13 following a cost reduction review. This has contributed to a further decline in visitor numbers and has degraded the Folk Museum visitor experience.
Proposal(s)	Expand (outside), refurbish and re-launch as the Garden Café with an identity and access that is independent of the Folk Museum. Close in winter months in concert with Folk Museum seasonal closure.
Rationale & Benefits	<ul style="list-style-type: none"> - Leverages a unique garden location that is unique in the city - Has the potential to contribute a significant revenue stream if well run - Constitutes a reason to visit in addition to museum proposition itself
Details	<ul style="list-style-type: none"> - See plans overleaf - Create significant outdoor seating capacity and position as indoor/outdoor café - Create dedicated area for use by venue hire clients (in front of Ed Shed) - Reinstate rear entrance so as to enable office workers to access lunchtime offer - Reinstate discount offers to County / Shire Hall staff and other local offices
Capex Requirement	Estimated at £45k
P&L Impact	Generates annual concession income of £35k, or £30k after the associated depreciation.
Dependencies (D), Risks (R) & Issues (I)	

Folk Museum Proposals: Garden Café

Environment

Garden Café

The best indoor/outdoor café in Gloucester, set within a beautiful secret garden.

A place to escape from the office for a lunch in the sunshine, a place to meet friends, a place to relax whilst the children play.

A calm oasis away from the bustle of the city centre.



Folk Museum Proposals: Garden Café

Food & Drink

Garden Café

Teas, coffees, delicious cakes

Chunky sandwiches, garden-inspired
salads, baked potatoes, soups and stews.

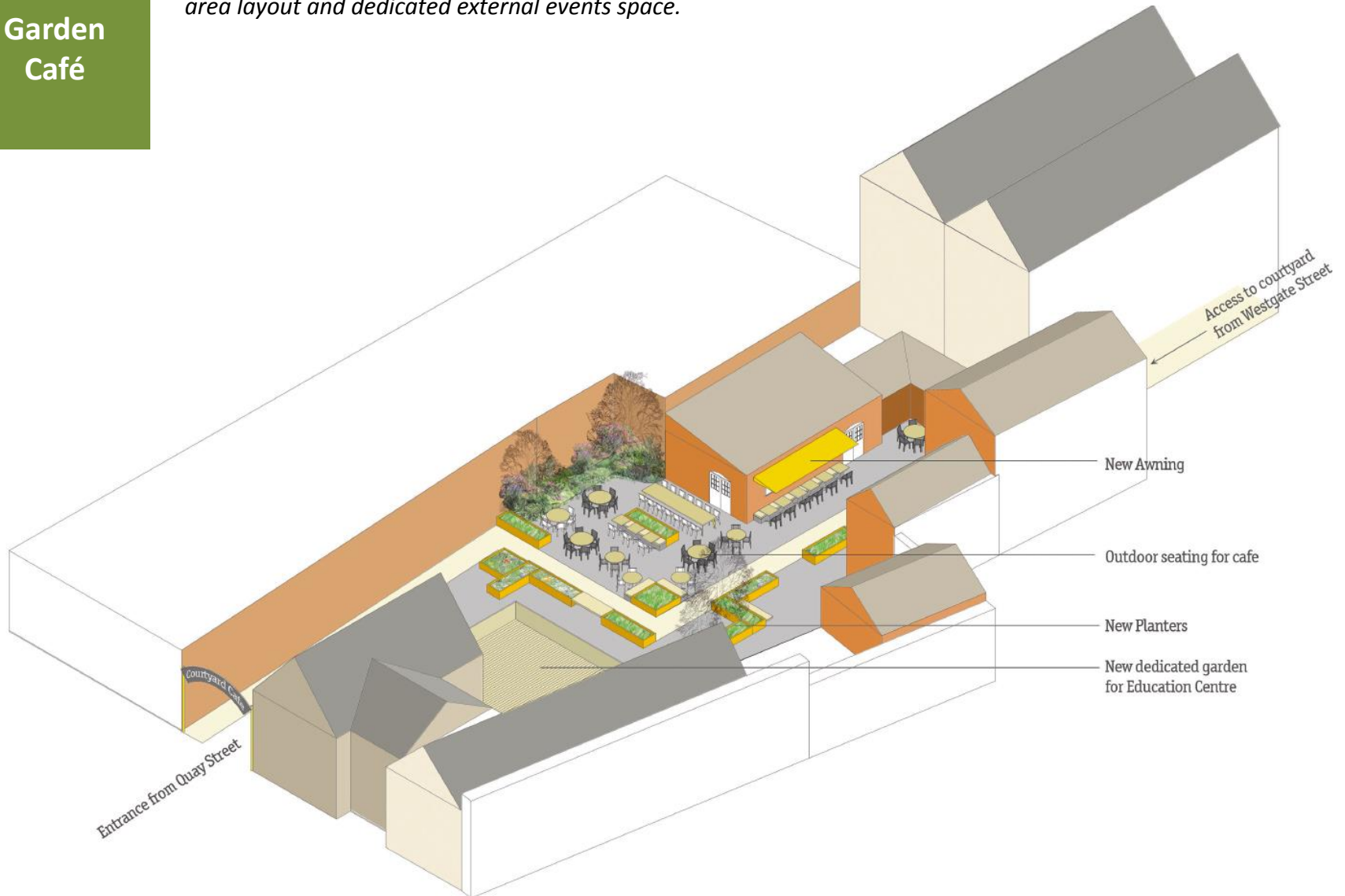
Giant cookies, ice cream, kids treats



Garden Café

Proposal M6. Impression of Garden Café outside area layout and dedicated external events space.

Gundry & Ducker



Part 5: City Museum

City Museum: Building Evaluation

Location

- Situated close to city centre but off main thoroughfare.
- Access route from Quays is poor.
- New housing development will improve immediate environment in time.
- Proximity to library should appeal to residents.

Condition

- Grade II listed building
- Major maintenance works due in next 10 years. GCC Asset Management report suggests expenditure of £1.17M over next 10 years (but HLF grant, if successful, would deal with £400k of that).

Visibility / Access

- Visibility relatively good with prominent banners. Further improvements needed to side and rear elevations.
- Entrance area design can be improved to make it clear café is accessible separately from museum.



Facilities

- Ground floor is fit for purpose, though a few repairs and exhibition refreshes are needed.
- Second floor and temporary exhibition space are tired but HLF grant will address this.
- Café in need of improvement, including enhancing visibility/access from street.

City Museum: High Level Options

Prior to developing specific proposals for the development of the City Museum, three high level options were considered, with Option 1 being selected as the most appropriate in all the circumstances.

	Option 1 Maintain as a separate museum and invest in existing location	Option 2 Combine with Folk Museum in one location.	Option 3 Closure
Summary	Improve current offer in current location to drive better commercial performance.	Close current location and move to a new location, combined with the 'best of' the Folk Museum offer.	Close City Museum
Advantages	<ul style="list-style-type: none"> - Can be implemented on a short time frame, thus reducing losses quickly. - Maintains a well loved and unique cultural attraction. - Offers maximal revenue generation with two sites to exploit. 	<ul style="list-style-type: none"> - Would create a more marketable combined offer, if a suitable site could be found. 	<ul style="list-style-type: none"> - Significant cost savings, though not reduced to zero as long as building continued to be owned by GCC. - Building may be able to sold to developers – subject to moving Library – but listed status may mean it cannot be sold.
Disadvantages	<ul style="list-style-type: none"> - Requires investment and acceptance of some risk in implementing turnaround plan. 	<ul style="list-style-type: none"> - Costs of moving to a completely new site are enormous and are highly unlikely to be fundable. - HLF bid would be de-railed - Implementation timetable would be many years, with losses continuing on the meantime. - Would also require Library to move to a new site. 	<ul style="list-style-type: none"> - Would rob Gloucester of a significant cultural attraction.

City Museum Proposals: Proposition

Better Communicate The Visitor Proposition (Proposal M7) - Summary

Context / Issue	The visitor proposition of the City Museum & Art Gallery is increasingly clear – and certainly once the HLF funded improvements have taken place, the proposition centred around Gloucester’s history is easily understood. There is however a need to communicate this proposition in a more compelling manner.
Proposal	<ul style="list-style-type: none">(i) In partnership with a marketing agency, develop a better explanation of the City Museum proposition – initially a statement for internal use/agreement, and thereafter a version suitable for use in marketing materials.(ii) Seed this new proposition through marketing and other communications

Possible direction for the City Museum proposition:

City Museum & Art Gallery

Gloucester’s dramatic story told through history, art and the natural world

City Museum Proposals: Library Café

Expansion and Re-Launch Of Café Nerva as Library Café (Proposal M8) - Summary

Context / Issue	The current City Museum café (Café Nerva) is poorly attended and generates very little income. The museum has insufficient footfall to enable the café to run profitably and there is currently nothing to set it apart from the competition in terms of attracting local residents.
Proposal(s)	(i) Expand the café and connect it to the City Library, thus providing access to an additional 1,000 visitors per day on average. (ii) Refresh and rebrand the café as the Library Café – more marketable and prioritises the new primary audience (because they will always be more numerous).
Rationale & Benefits	<ul style="list-style-type: none"> - Café requires significantly more customers to be profitable – thus needs to access Library users and local residents (an increasing community given the surrounding housing developments). - Knocking through to the Library provides two entrance routes to the café
Details	<ul style="list-style-type: none"> - See plan overleaf. - Includes repositioning Library entrance so that it is adjacent to café entrance – this is key to delivering the required custom.
Capex Requirement	Estimated at £55k
P&L Impact	Annual sales of £276k. Generates annual concession income of £41k, or £36k after associated depreciation
Dependencies (D), Risks (R) & Issues (I)	- Requires County Council support (D). Mark Parker has confirmed they are currently supportive given this compliments other plans County have for their section of the building.

City Museum Proposals: Library Café

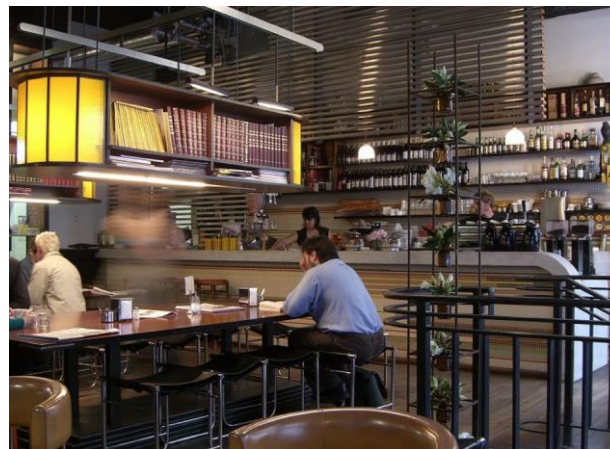
Environment

Library Café

A place to relax with a book or reflect on an intriguing museum visit.

Great quality coffee and simple, good value food – a place for local residents to meet and hang out during the daytime.

Free Wi-Fi and newspapers, plenty of space - a destination to work and think.



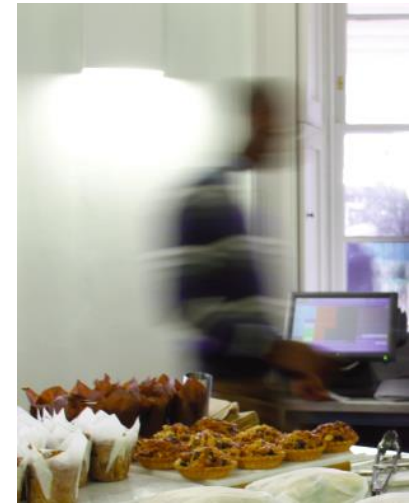
City Museum Proposals: Library Café

Food & Drink

Library Café

High quality coffee (espresso bar), tea, soft drinks, snacks and cakes

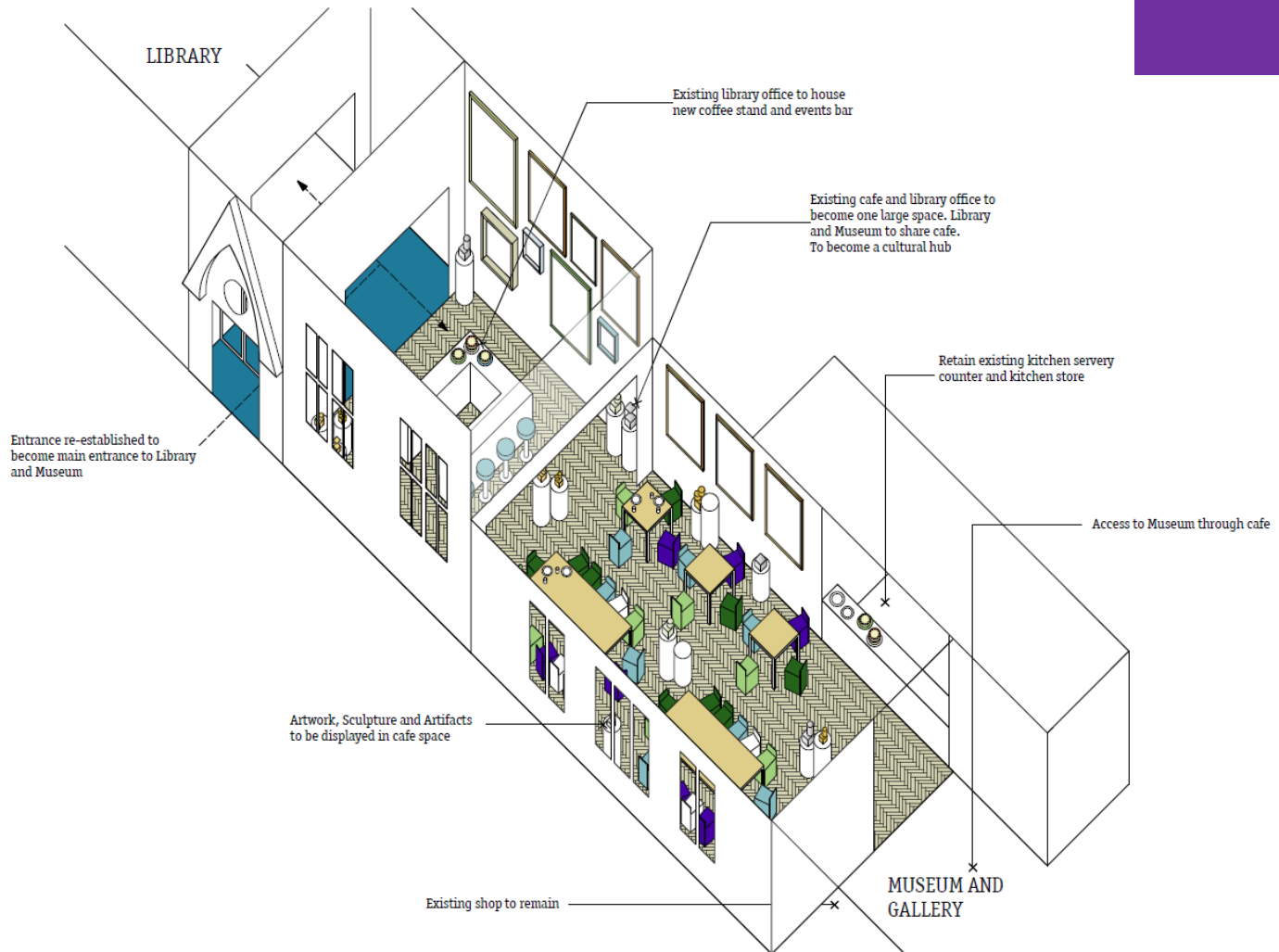
Chunky sandwiches, salad specials, baked potatoes, soups and stews.



Proposal M8. Impression of new Library Café, showing connection to new Library entrance.

Gundry & Ducker

**Library
Cafe**



City Museum Proposals: Signage

Implement New Model (Proposal M9) - Summary

Context / Issue	City Museum visibility is reasonable from the front of the building but poor from the Eastgate St end (i.e. from the town centre)
Proposal(s)	(i) Introduce new digital sign on side of building to improve visibility and publicise a range of marketing messages.
Rationale & Benefits	Research demonstrated that some people cannot/do not find the City Museum This provides a means of addressing that and also placing a much stronger invitation in front of the high numbers of people who move up and down Eastgate St.
Details	Digital sign affixed to north facing building façade
Capex Requirement	Estimated at £5k
P&L Impact	Not specifically assessed, but supports growth in visitor number assumptions
Dependencies (D), Risks (R) & Issues (I)	Will require approval of town planning (D)

Part 6: Consolidated Financial Impact

Cultural Services: Consolidated Financial Overview

Summary Of Capital Expenditure Proposals (including purchase of 25 Eastgate Street)

The total capital requirement for the initiatives set out herein is £4.74M, inclusive of the purchase of 25 Eastgate Street.

The table to the right shows the breakdown of capital expenditure assumptions and the period of time over which they are depreciated for the purposes of the P&L statements that follow.

It is assumed that all capital requirements are funded by borrowing, at an annual interest rate of 3%.

Area	Project	Investment (£)	Depreciation Period (Yrs)
Property Purchase			
	25 Eastgate Street Purchase (Minimum Revenue Provision)	4,000,000	50
Guildhall			
	25 Eastgate Street Fit Out	460,000	10
	Main Hall Balony	50,000	10
	Cinema	45,000	10
	Upper Level Bar	45,000	10
	Meeting Room Refurb (Existing Building)	15,000	5
	Roof Entrance	7,000	5
	Guldhall Total	622,000	
Musuems			
	Garden Café (Folk Musuem)	45,000	10
	Library Café (City Musuem)	55,000	10
	Signage Improvements (Folk Frontage, City Side, Westage Object)	20,000	10
	Museums Total	120,000	
GRAND TOTAL		4,742,000	

Cultural Services: Consolidated Financial Overview

Consolidated P&L For Cultural Services

- The P&L summary shown here models the effect of the proposals set out herein, once fully implemented, and after any cost of change.
- Once implemented, it is estimated that the Cultural Services EBITDA loss would reduce from the circa £682k forecast for the current year to £365k, an improvement of £317k.
- On a like-for-like basis the improvement is greater still (£467k) because of the very significant incremental property maintenance costs forecast for 15/16 onwards, across all three sites. These total £150k and are accounted for in the 'New Model' figures but not at 14/15 forecast levels.
- The year-on-year EBIT improvement is more modest at £159k (or £309k on a like-for-like property cost basis) as a result of the £158k depreciation charge applied. That said, £80k of this is the Minimum Revenue Provision for the purchase of 25 Eastgate Street. Whilst necessary from a GCC accounting point of view, it remains the case that the property asset will not in fact depreciate. With the MRP excluded, the improvement in EBIT is £240k year-on-year (or £390k on a like-for-like property basis).

	13/14 Actual	14/15 Forecast	Full Year New Model
Income			
Gross Revenue			
Entry Fees	39,500	28,354	130,000
Ticket Sales (Live Events)	173,667		295,000
Ticket Sales (Cinema)	51,495	317,760	111,354
Workshops	23,448		30,000
Other Event Income	9,921	15,590	22,500
Venue Hire	94,060	49,941	223,000
Restaurants & Bars	187,003	165,428	295,677
Merchandise	23,500	19,730	48,000
Other	16,492	17,930	55,000
TOTAL	619,086	614,733	1,210,531
Costs			
Expenditure			
Employees	849,625	788,821	759,189
Premises Related Expenditure	99,652	98,816	235,000
Utilities	69,010	64,000	79,000
Transport Costs	1,925	2,037	2,000
Supplies and Services	459,012	343,146	358,256
Other Charges	247	0	0
Loan Interest	0	0	142,200
TOTAL	1,479,471	1,296,820	1,575,645
EBITDA	-874,405	-682,087	-365,114
YoY Improvement		192,318	316,973
Depreciation (Capital Works)	0	0	77,525
Mimum Revenue Provision (25 Eastgate St)	0	0	80,000
EBIT	-874,405	-682,087	-522,639
YoY Improvement		192,318	159,448

In Conclusion

10 Year Context

- The previously published Current State Analysis identified that the cost of the 'do nothing scenario' was set to be in the region of £9.5M over 10 years.
- These proposals improve that position to a forecast subsidy of just over £5.2M over 10 years, including depreciation of capital investments. This represents a saving for GCC of £4.3M.
- At the same time, the net effect of these proposals is a significant enhancement in the provision of cultural services to the people of Gloucester.
- The Guildhall redevelopment also has the potential to be the catalyst for a new day/night economy in the city centre, something that aligns with wider City Council objectives.
- However, the purchase of 25 Eastgate Street is a critical part of the plan for the Guildhall (which delivers the biggest financial turnaround) and this does require a very significant capital investment. An alternative would be to lease rather than buy this property, but that is unlikely to be more financially beneficial in the long term.
- Although the scheme as set out does require a major capital investment, the return on the capital (£467k like-for-like annual EBIT improvement equates to a 9.9% yield on £4.7M invested, after interest liability) constitutes a very reasonable business case.

Appendix 1 – Catering Financial Model

GCC Cultural Venues, Food & Drink Sales Forecast															
	Daily Av	Weekly Av	Monthly												Full Year
	Trading Hours	Trading Days	Jan 4	Feb 4	Mar 5	Apr 4	May 4	Jun 5	Jul 4	Aug 4	Sep 5	Oct 4	Nov 4	Dec 5	
Guildhall Main Café Bar (Open 8am - 11pm Mon-Sat, 10am - 11pm Sun)															
Breakfast: Granola, Croissant, Breakfast Sandwiches, Eggs Benedict															
Lunch: Sandwiches, Salads, Soups, Stews, Pasta, Pizzettas, Cold Plates															
Morning / Afternoon: Tea, Coffee, Cakes, Snacks															
Evening: Goulash, Sharing Platters, Pasta, Pizzettas, Craft Beers, Wine, Spirits, Prosecco															
	15	6.8	80%	80%	80%	90%	100%	110%	120%	120%	110%	100%	90%	110%	Seasonal Adjustment
Transactions	250	1,700	5,440	5,440	6,800	6,120	6,800	9,350	8,160	8,160	9,350	6,800	6,120	9,350	87,890
Transactions Per Hour	17	17	13	13	13	15	17	18	20	20	18	17	15	18	193,358
Customers	550	3,740	11,968	11,968	14,960	13,464	14,960	20,570	17,952	17,952	20,570	14,960	13,464	20,570	193,358
Customer Per Hour	37	32	26	26	26	29	32	35	38	38	35	32	29	35	
ATV (ex VAT)	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	
Retail Sales	3,500	23,800	76,160	76,160	95,200	85,680	95,200	130,900	114,240	114,240	130,900	95,200	85,680	130,900	1,230,460
Events Sales			3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Total Sales			79,160	79,160	98,200	88,680	98,200	133,900	117,240	117,240	133,900	98,200	88,680	133,900	1,266,460
Concession @ 15%			11,874	11,874	14,730	13,302	14,730	20,085	17,586	17,586	20,085	14,730	13,302	20,085	189,969
Guildhall 1st Floor Event Bar (Open variable evening hours, always 5pm - 9pm, sometimes 5pm - Midnight if there is a gig)															
Evening: Beers, Wine, Spirits, Prosecco, Snacks, Ice Cream															
	5	6	80%	90%	100%	100%	100%	100%	90%	90%	100%	110%	110%	110%	Seasonal Adjustment
Transactions	80	480	1,536	1,728	2,400	1,920	1,920	2,400	1,728	1,728	2,400	2,112	2,112	2,640	24,624
Transactions Per Hour	16	16	13	14	16	16	16	16	14	14	16	18	18	18	44,323
Customers	144	864	2,765	3,110	4,320	3,456	3,456	4,320	3,110	3,110	4,320	3,802	3,802	4,752	44,323
Customer Per Hour	29	32	26	0	26	26	26	29	29	32	38	42	39	35	
ATV (ex VAT)	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	
Retail Sales	640	3,840	12,288	13,824	19,200	15,360	15,360	19,200	13,824	13,824	19,200	16,896	16,896	21,120	196,992
Concession @ 15%			1,843	2,074	2,880	2,304	2,304	2,880	2,074	2,074	2,880	2,534	2,534	3,168	29,549
Folk Museum Garden Café (open 7 days, 10am - 5pm, closed in winter months)															
Morning: Teas, Coffees, Cakes															
Lunch: Sandwiches, Soups, Salads, Baked Potatoes															
Afternoon: Afternoon Tea															
	7	7	0%	30%	60%	100%	100%	90%	130%	130%	110%	70%	0%	0%	Seasonal Adjustment
Transactions	100	700	0	840	1,680	2,800	2,800	2,520	3,640	3,640	3,080	1,960	0	0	22,960
Transactions Per Hour	14	14	0	4	9	14	14	13	19	19	16	10	0	0	45,920
Customers	200	1,400	0	1,680	3,360	5,600	5,600	5,040	7,280	7,280	6,160	3,920	0	0	45,920
Customer Per Hour	29	29	0	0	15	26	26	26	42	46	42	27	0	0	
ATV (ex VAT)	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	
Retail Sales	800	5,600	6,720	13,440	22,400	22,400	20,160	29,120	29,120	24,640	15,680	0	0	183,680	
Event Sales			4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Total Sales			4,000	10,720	17,440	26,400	26,400	24,160	33,120	33,120	28,640	19,680	4,000	4,000	231,680
Concession @ 15%			600	1,608	2,616	3,960	3,960	3,624	4,968	4,968	4,296	2,952	600	600	34,752
City Museum: Library Café (open 6 days a week, 10am - 5pm)															
Morning: Teas, Coffees, Cakes															
Lunch: Sandwiches, Soups, Salads, Baked Potatoes															
Afternoon: Afternoon Tea															
	7	6	100%	100%	100%	100%	100%	110%	130%	130%	110%	100%	100%	100%	Seasonal Adjustment
Transactions	120	720	2,880	2,880	2,880	2,880	2,880	3,168	3,744	3,744	3,168	2,880	2,880	2,880	36,864
Transactions Per Hour	17	17	17	17	17	17	17	19	22	22	19	17	17	17	55,296
Customers	180	1,080	4,320	4,320	4,320	4,320	4,320	4,752	5,616	5,616	4,752	4,320	4,320	4,320	55,296
Customer Per Hour	26	26	32	0	26	26	26	32	42	46	42	38	35	32	
ATV	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	
Retail Sales	840	5,040	20,160	20,160	20,160	20,160	20,160	22,176	26,208	26,208	22,176	20,160	20,160	20,160	258,048
Event Sales			1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Total Sales			21,660	21,660	21,660	21,660	21,660	23,676	27,708	27,708	23,676	21,660	21,660	21,660	276,048
Concession @ 15%			3,249	3,249	3,249	3,249	3,249	3,551	4,156	4,156	3,551	3,249	3,249	3,249	41,407
TOTAL SALES															1,971,180
TOTA CONCESSION															295,677

Appendix 2 – Cinema Financial Model

2013/14	ACTUAL	2015/16	PLAN	Assumptions
		NON_LIVE		
Av Ticket Price Paid (inc Screen Tea discounts etc.)	£5.87	Av Ticket Price Paid (inc Screen Tea discounts etc.)	£8.37	£2.50 extra on inc VAT pricing
Av Ticket Price ex VAT	£4.89	Av Ticket Price ex VAT	£6.98	
Screenings Per Year	542	Non-Live Screenings Per Year	500	Reduced to allow for 50 live events per year
Av Attendance	16.18	Av Attendance	25.00	Av attendance increased to 25
Av Revenue Per Screening	£95.01	Av Revenue Per Screening	£209.25	
Annual Attendance	8771	Annual Attendance	12500	
Annual Revenue Inc VAT	£51,495.00	Annual Revenue Inc VAT	£104,625.00	
Annual Revenue Ex VAT	£42,912.50	Annual Revenue Ex VAT	£87,187.50	
		LIVE		
		NON_LIVE		
		Av Ticket Price Paid (inc Screen Tea discounts etc.)	£14.50	Premium pricing for live events
Av Ticket Price Paid (inc Screen Tea discounts etc.)	£5.87	Av Ticket Price ex VAT	£12.08	
Av Ticket Price ex VAT	£4.89	Non-Live Screenings Per Year	50	
Screenings Per Year	684	Av Attendance	40.00	Higher attendance for live events
Av Attendance	15.00	Av Revenue Per Screening	£580.00	
Av Revenue Per Screening	£88.05	Annual Attendance	2000	
Annual Attendance	10260	Annual Revenue Inc VAT	£29,000.00	
Annual Revenue Inc VAT	£60,226.20	Annual Revenue Ex VAT	£24,166.67	
Annual Revenue Ex VAT	£50,188.50			
		TOTAL Annual Revenue Ex VAT	£111,354.17	
Issues:				
Optimum number of seats in cinema		Capital Investment (Cinema Seating)	£45,000.00	
Costs of live screening versus non-live		Annual Depreciation Charge (8 years)	£5,625.00	
Pricing, live premium				
		Annual Revenue less Depreciation	£105,729.17	

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