

## CABINET MEETING – 16 APRIL 2014

### EXECUTIVE SUMMARY SHEET- PART I

**Title of Report:**

Beamish Museum – Guarantee

**Author(s):**

Head of Financial Resources

**Purpose of Report:**

This report outlines proposals to provide Beamish Museum with a proportionate guarantee which will assist the Museum in their initial Stage 1 bid for £10.75m Heritage Lottery Funding.

**Description of Decision:**

Cabinet is recommended to

a) provide a Guarantee for a proportionate share of the still to be raised match funding of up to £4.5m on condition that the Museum will first seek as much external grant funding as possible over the duration of the project design/ development phase from May 2014 to December 2015, and then utilise all of its projected operating surpluses and reserves before any call, will be made to its guarantor constituent authorities. In the event that a call is made on the guarantee, the Museum will enter into arrangements with the Council and other relevant constituent authorities to repay the same.

b) note that any funding arrangement that may be required by constituent authorities would be subject to a separate report to Cabinet.

**Is the decision consistent with the Budget/Policy Framework?** Yes

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

The provision of a Guarantee will significantly increase the chances of success of the Museum's HLF stage 1 bid for £10.75m of grant funding to develop the Museum's attractions and in the unlikely event the guarantee is ever called then it would be recovered by the guarantor constituent authorities on a commercial loan basis to be agreed. In this event a further report to Cabinet would be necessary to review the proposed arrangements in conjunction with the other constituent authorities involved.

**Alternative options to be considered and recommended to be rejected:**

There are no alternative options recommended.

**Impacts analysed:**

Equality ☒ Privacy ☒ Sustainability ☒ Crime and Disorder ☒

<p><b>Is this a “Key Decision” as defined in the Constitution?</b></p> <p>Yes</p>	<p><b>Scrutiny Committee</b></p>
<p><b>Is it included in the 28 day Notice of Decisions?</b></p> <p>No</p>	

# **Cabinet 16<sup>th</sup> April 2014**

## **Beamish Museum - Guarantee**

### **Report of the Head of Financial Resources**

#### **1 Purpose of Report**

- 1.1 This report outlines proposals to provide Beamish Museum with a proportionate guarantee which will assist the Museum in their initial bid for £10.75m Heritage Lottery Funding.

#### **2 Description of Decision**

- 2.1 Cabinet is recommended to
- a) provide a Guarantee for a proportionate share of the still to be raised match funding of up to £4.5m on condition that the Museum will first seek as much external grant funding as possible over the duration of the project design/development phase from May 2014 to December 2015, and then utilise all of its projected operating surpluses and reserves before any call, will be made to its guarantor constituent authorities. In the event that a call is made on the guarantee, the Museum will enter into arrangements with the Council and other relevant constituent authorities to repay the same.
  - b) note that any funding arrangement that may be required by constituent authorities would be subject to a separate report to Cabinet.

#### **3 Background Proposed Beamish HLF Bid / Development Plan**

- 3.1 The Museum is proposing a major development project "Remaking Beamish project " which involves a £15.25m capital investment programme from April 2016 to December 2020 which is expected to create 95 new full time jobs and 50 apprenticeships, increasing visitor numbers in excess of 500,000 per annum and growing turnover up to £11m by 2024/2025.

- 3.2 The £15.25m development will involve extending the period Beamish illustrates every day life in the North East from the 1820's through to the 1950's. There are three main strands:

1820's (£4.5m): Coaching Inn offering overnight stays  
Blyth windmill reconstruction  
Quilter's cottage

1950's (£9.5m) Housing area including overnight stays  
Homes for memory centre for people living with dementia  
Shopping & recreation centre  
Cinema & period cafe  
40 acre farm

Infrastructure project (£1.25m) inc. trolleybus, roads/paths and biomass heating

- 3.3 Match funding of £4.5m is required and the Museum is seeking a guarantee to help strengthen the HLF bid at this initial stage since competition for national funding of this scale is expected to be extremely high.

3.4 Currently the still to be raised matched funding is anticipated to be sourced from:

External Grant Funding	£2.9m
Contributions / Donations	£0.3m
Use of Beamish Surpluses (In year and reserves)	£1.3m (or £4.2m if grant funding is not secured)
<b>Total</b>	<b>£4.5m</b>

#### **4. Due diligence and proposed Guarantee**

- 4.1 The Museum has provided comprehensive financial projections for the period 2013/14 to 2019/2020 which have been fully reviewed and are considered prudent.
- 4.2 In summary, the projections show that in total the Museum expects to be able to cover almost the entire match funding required through receipts even before external funding is taken into account. The surpluses projected for each year include developments prudently coming on stream over the 5 year period of the project which is considered reasonable. This view is based on an analysis of the projections and also the Museum's recent track record, which has seen it generate significant operating surpluses in the last 5 years.
- 4.3 The Museum Director has also indicated that the programme will be reviewed in the light of available resources over the next eighteen months. If in the unlikely event funding was required then the Museum would then consider the level of the remaining programme and take actions to reduce costs further / scale back the project where possible to minimise any call on its guarantor constituent authorities. As the bid is also at a very early stage it is important that the bid is first successful and if necessary a further review of funding the project could be requested.

#### **5. Proposed Guarantee**

- 5.1 Durham and Sunderland as main constituent authorities have discussed the position and have concluded that based on all of the detail provided and set out above that a proportionate Guarantee of up to £4.5m can be supported on the condition that the Museum will first seek as much external grant funding as possible, then utilise all of its internal operating surpluses / reserves before any call, as a last resort, would be made to its two guarantor constituent authorities.
- 5.2 In the unlikely event funding was required by the Museum under this guarantee arrangement then Cabinet would receive a further report to review the position in conjunction with its other constituent authorities and to agree the basis on which the guarantee provided would be recovered.
- 5.3 In this respect it is proposed that recovery of any guarantee called would be provided on a commercial loan basis which would be based upon a preferential loan note agreement over a short term period of up to 5 years, the details of which would need to be agreed and approved by Cabinet.

#### **6. Financial Implications**

- 6.1 The financial implications are set out within the body of the report.

## **7.0 Legal Implications**

The Head of Law and Governance has been consulted and her comments are included within the body of the report.

## **8. Reasons for Decision**

- 8.1 The provision of a Guarantee will significantly increase the chances of success of the Museum's HLF stage 1 bid for £10.75m of grant funding to develop the Museum's attractions and in the unlikely event the guarantee is ever called then it would be recovered by the guarantor constituent authorities on a commercial loan basis to be agreed. In this event a further report to Cabinet would be necessary to review the proposed arrangements in conjunction with the other constituent authorities involved.

## **9. Alternative Options**

- 9.1 The alternative option would be for the Council not to provide a guarantee. However, this option is not recommended as this may lessen the chance of the bid to HLF being successful

## **10. Impact Analysis**

- 10.1 There are no impact assessment implications.

