

Appendices: 0



**NORTHAMPTON**  
BOROUGH COUNCIL

## CABINET REPORT

<b>Report Title</b>	<b>Funding Support to Delapre Abbey Preservation Trust</b>
---------------------	--

**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	12 April 2017
<b>Key Decision:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Chief Finance Officer
<b>Accountable Cabinet Member:</b>	Cllr J Nunn
<b>Ward(s)</b>	Delapre

### 1. Purpose

---

- 1.1 To consider the request from Delapre Abbey Preservation Trust (DAPT) of up to £400k additional revenue funding support from the council towards their operating costs incurred to date, and for the current and following three years due to delays in opening the Abbey. This report details the level of support requested and officers review of the rationale behind the financial information.

### 2. Recommendations

---

2.1 Cabinet are requested to:

1. Approve up to £400k of revenue support for DAPT over the next four years to support HLF grant funding requirements, the delivery of DAPT Business Plan and assist in securing the future financial sustainability of DAPT.

2. Agree that any funding to assist with estimated deficits over the next four years whilst DAPT reaches financial maturity should be subject to regular oversight and reporting arrangements to ensure that DAPT's business plan and financial monitoring is focussed on delivering financial sustainability by 2021/22.
3. Agree that this revenue support will be provided subject to formal sign up of the Council's requirements for the oversight and reporting arrangements by the DAPT Board of Trustees.
4. Agree that funding to DAPT will be met from corporate earmarked reserves.

### **3. Issues and Choices**

---

#### **3.1 Report Background**

- 3.1.1 The restoration of the Grade II\* Listed Delapre Abbey is a key heritage project for the Council and will see the Abbey opened to the public for the first time in its 900 year history
- 3.1.2 Cabinet will be aware that the Council was awarded £3.6m of Heritage Lottery Funding (HLF) towards the overall project costs including the restoration works and activity costs. The bid was agreed by Cabinet on the 8<sup>th</sup> May 2013 with some of the funding allocated to deliver activity costs around operating the facility as a visitor attraction.
- 3.1.3 The Council has already supported DAPT with revenue funding through a grant of £150k towards fit out and operational costs approved by Cabinet in October 2015, and a further grant of £100k to assist with cash-flow following delays in construction completion in the early years approved by Cabinet in January 2017.

#### **3.2 Issues**

- 3.2.1 The project was originally planned to be completed in June 2016 and leading up to this DAPT were starting to incur overhead costs for staffing and other office costs. They were also working with other partners engaged in delivering some of the abbey operations.
- 3.2.2 The delay to the opening date has meant initial costs which DAPT were expecting as part of their business plan to be covered from income received from visitors to the attraction in terms of admission, catering and retail spend have been funded from sources earmarked for fit out costs. They have approached the Council with a request for support to cover this expenditure which has been incurred due to the uncertainty of a final completion and opening date.

- 3.2.3 The amounts requested by DAPT can be split into two types. Firstly, the reimbursement of costs incurred to date of £115k and, secondly, support over the next four financial years of up to £285k to manage cashflows to ensure the financial sustainability of DAPT in its early years of operation. A total support package of up to £400k.
- 3.2.4 Council officers have reviewed the information provided with regards to the request for up to £400k for revenue funding support and undertaken due diligence, including analysis, scrutiny and challenge of the request. In addition the Council has met with DAPT on a number of occasions to assess their request for monies. Whilst there are uncertainties due to the number of assumptions and risks, which is typically the case with a business plan of a start-up organisation (see paragraph 4.1.2), officers accept that it is a reasonable assessment of the effect of delay.
- 3.2.5 In June 2016 DAPT shared a working copy of their detailed financial business plan with the Council which indicated a deficit in the first year of operation assuming that the café opened during December 2016 with the main Abbey opening early in the new year. DAPT then worked with the Council who provided resources to assist in submitting an HLF resilience bid in December 2016 to bridge the financial operating shortfall. Whilst this was successful the grant criteria meant that only certain expenditure was eligible and therefore there was still an estimated shortfall.
- 3.2.6 DAPT have since been reviewing and refining their business plan, and at this point have indicated that the business will take longer than the first year to make a surplus. As this is a new facility the income from visitors for admissions and retail/activity sales are difficult to estimate and the business plan will need to develop according to volumes with non-business expenditure being tailored accordingly. DAPT's current cashflow forecasts, assuming full operation from June 2017, until financial sustainability are shown below. DAPT estimate that further delays in opening would result in net costs of approximately £15k per month.

2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
164 deficit	59 deficit	56 deficit	6 deficit	285 deficit

- 3.2.7 Both DAPT and the Council recognise a key factor in the success of achieving financial sustainability for DAPT by 2021/22 will be the implementation of its business plan. It is important that the DAPT business plan is robust. To facilitate this and ensure the Council is achieving value for money oversight and reporting arrangements will be implemented. The Council and DAPT have discussed how these arrangements could work. The reimbursement of monies incurred to date (£115k) would be subject to appropriate evidence being provided in respect of the expenditure and future cashflow requests (up to £285k) would be paid quarterly in advance in accordance with the DAPT Business Plan as indicated in paragraph 3.2.6 above. The expenditure and progress against each of the quarterly payments will be monitored by the Council through the oversight and reporting arrangements. Through this mechanism the Council would have the ability to fully understand what the

monies were being spent on and have the ability to temporarily withhold or cease payment of future monies if expenditure had not been incurred or if monies were spent that were not in accordance with the HLF grant conditions and/or achieving the DAPT business plan. In the early stages of operation and whilst the business is developing from opening to the public both organisations would meet on a monthly basis to review how the facility is working both financially and operationally, for example, in terms of visitor numbers/commercial bookings. Once the position stabilises and there can be more confidence around the Business plan forecasts and operation the meetings could be altered to meet quarterly or six monthly. It is proposed that the following principles are incorporated into the oversight and reporting arrangements:

- There are regular joint meetings between senior members of both organisations, likely to include the Council's CFO and Director of Regeneration, Enterprise and Planning, a Cabinet Member, the Chair of the DAPT Board, the Chair of DAPT's finance committee and DAPT's Operational Director. These will initially be monthly but as DAPT becomes more mature are likely to become quarterly
- Transparent financial reporting, with DAPT providing information on the basis of open book accounting.
- There is a formal commitment to regular shared financial collaborative meetings and communications.
- DAPT have a formal commitment to highlight any concerns, changes to trading patterns and impacts of these to the business plan to the Council.
- Reporting against Key Performance Indicators.
- The agreed business plan.
- Agreed mechanisms, processes and supporting evidence required through which monies are drawn down by DAPT.
- DAPT have a commitment to producing regular, at least quarterly, financial reports to be shared with the Council showing financial performance to date and the forecast position for the financial year.

3.2.8 The Council has had initial discussions with DAPT with regards to how these arrangements could work in practice. These initial discussions have taken place with members of DAPT's Finance Committee and have resulted in the position discussed in paragraph 3.2.7 above. The Council will require written confirmation from DAPT's Board of Trustees prior to releasing any funding.

### **3.3 Choices (Options)**

3.3.1 There are a number of options available to the Council as listed below:

- a) That Cabinet do not provide revenue support to DAPT, with the expected consequence that DAPT will be unable to commit to running the Abbey as planned, and it will fall to the Council to step in and operate the facility. This option would lead to substantial additional cost as it would compromise the terms of HLF monies which were predicated on DAPT being responsible for operating the Abbey.
- b) That Cabinet agree to provide in total up to £400,000 to DAPT on an agreed profile over the years specified subject to terms including the continued meeting of the terms and conditions of HLF funding, that these resources are expended in relation to business plans as agreed with the Council throughout this period, that DAPT work to achieve a financially sustainable position not requiring revenue support from NBC from 2021/22, and that DAPT and the Council jointly monitor DAPT's progress in delivering its business plan and progress towards financial sustainability.
- c) That Cabinet agree to provide a lower sum to be expended in relation to business plans as agreed with the Council throughout this period, and that DAPT work to achieve a financially sustainable position not requiring revenue support from the Council from 2021/22, with any consideration of further support subject to further Cabinet decision. Whilst this option would involve a sum lower than £400,000 being committed by the Council it is recognised further revenue support is highly likely to be required.

## **4. Implications (including financial implications)**

---

### **4.1 Resources and Risk**

4.1.1 The financial implications are set out in Section 3 of the report.

4.1.2 The funding of up to £400k would be met from corporate earmarked reserves and released as required to DAPT initially to replace the funding for 'fit-out' costs which was drawn down early to finance initial operational costs incurred during the delay period. Future funding would then be released in line with an agreed profiled expenditure to ensure that the Council can have the assurance that the financial position is as planned and that HLF outputs and business plan targets are being achieved.

- 4.1.3 There are a number of risks with regards to the provision of funding to DAPT. These key risks include:

<b>Risk &amp; Potential Impact</b>	<b>Mitigations</b>
<p>Failure of the Trust to deliver their business plan</p> <p>Potential Impact: Requests for further funding from DAPT.</p>	<p>The Council has undertaken due diligence checks on DAPT's Business Plan.</p> <p>The establishment of oversight and reporting arrangements throughout the period until DAPT is financially sustainable.</p>
<p>Delays in the Trust achieving their business plan</p> <p>Potential Impact: Requests for further funding support beyond 2020/21</p>	<p>The Council has undertaken due diligence checks on DAPT's Business Plan.</p> <p>The establishment of oversight and reporting arrangements throughout the period until DAPT is financial sustainable</p>
<p>A poor working relationship between the Council and DAPT</p> <p>Potential Impact: Reputational implications for the Council</p>	<p>The establishment of oversight and reporting arrangements throughout the period until DAPT is financial sustainable</p> <p>Clear governance arrangements and communication protocols</p>
<p>Further delays to the opening of the Abbey</p> <p>Potential Impact: Reputational impacts for the Council and DAPT. Requests for further funding from DAPT.</p>	<p>The Council is actively working with contractors and DAPT to secure the earliest possible opening date.</p> <p>The Council has undertaken due diligence checks on DAPT's Business Plan.</p> <p>The establishment of oversight and reporting arrangements throughout the period until DAPT is financial sustainable.</p>

## 4.2 Legal

- 4.2.1 It is important the Council establishes clear and formal governance arrangements and has robust processes in place to manage the drawdown and overview of monies granted to DAPT. Paragraph 3.2.7 sets out the principles behind these arrangements.
- 4.2.2 In supporting the additional funding to DAPT, the Council will be required to carry out a state aid compatibility analysis to ensure that this is not deemed to be a European Commission state aid subsidy, accordingly the key characteristics of state aid have been further considered in the context of the recommendations of the report.
- 4.2.3 It was deemed the project should be reviewed as a whole to look at any potential economic advantage in the context of this affecting cross-border trade with the EU member states. On the basis of the Abbey's and DAPT's local interest, the project was deemed to be of a purely local interest and not capable of affecting cross-border trade within the EU and therefore could not constitute state aid.

4.2.4 The General Power of Competence pursuant to the Localism Act 2011 provides the legal capacity and flexibility for the Council to provide facilities to meet the needs of local people and provide local opportunities.

### **4.3 Equality and Health**

4.3.1 There are no specific equality and health implications arising from this report

### **4.4 Consultees (Internal and External)**

4.4.1 The council's management board and relevant cabinet members, and DAPT officers and trustees have all been consulted as part of establishing the contents of this report

### **4.5 How the Proposals deliver Priority Outcomes**

4.5.1 The successful restoration of the Grade II\* listed Delapre Abbey is the key heritage priority for the Council.

### **4.6 Other Implications**

4.6.1 None

## **5. Background Papers**

---

5.1 DAPT Request for Funding Business Plan

**Glenn Hammons**  
**Chief Finance Officer**

**Stephen Hing**  
**Director of Regeneration, Enterprise and Planning**