

Date of meeting: 08 October 2019

Title of Report: **Financial Update on The Box**

Lead Member: Councillor Mark Lowry (Cabinet Member for Finance)

Lead Strategic Director: Andrew Hardingham (Service Director for Finance)

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Your Reference: AH.MH.09/2019

Key Decision: No

Confidentiality: Part I - Official

## **Purpose of Report**

The Council is embracing financial challenges in driving up revenue, reducing cost, utilising the full range of its resources and assets whilst ensuring customers receive high quality services and value for money.

The Box, a multi-million pound gallery and museum complex on North Hill, will house Plymouth's most important heritage collections on one site. A programme of high profile exhibitions, artist commissions and events will run alongside the permanent gallery displays, making The Box a key cultural attraction for the city and region. The Box is an historic asset, with a contemporary expansion that will provide a high quality home for the city's collections and a unique food and beverage venue aimed at supporting growth in the city economy. The report also includes provision to include the Elizabethan House and Smeaton's Tower as part of the wider Box portfolio.

The Elizabethan House, one of Plymouth's oldest buildings, is getting a new lease of life as part of the Mayflower 400 commemorations. Smeaton's Tower is a centrepiece on Plymouth Hoe, and has become one of the South West's most well-known landmarks. It's earned the description of a 'must-see' in Plymouth and is accredited as a VisitEngland Quality Assured Visitor Attraction.

References in this report to "The Box" will mean The Box itself, plus The Elizabethan House and Smeaton's Tower.

The purpose of this report is to recommend setting up two flexible, scalable, and not for profit companies for The Box. This will allow the Council to take advantage of innovative solutions to a broad range of financial challenges it currently faces and may well face in the future.

## Recommendations

Cabinet is recommended to

1. Approve the creation of a Company Limited by Guarantee (and wholly owned by the Council) and a Charitable Foundation (partially owned)
2. Endorse the proposed names of the two entities as:
  - a. Arca (Plymouth) Limited and
  - b. The Box Foundation
3. Note the development of a detailed Business Case for the creation of the two new entities to protect the historic and economic vitality of the city, including the approval of the leasing of The Box, Elizabethan House and Smeaton's Tower (the "assets") from PCC to Arca (Plymouth) Limited
4. Nominate the Service Director for Finance (S151 Officer) as Member Representative of Arca (Plymouth) Limited and to exercise all voting rights on behalf of the council (subject to Key Decisions being reserved to the Leader/Cabinet) and bring back a future Report to Cabinet setting out the detailed governance arrangement required to protect, safeguard, and effectively manage the council's interest in Arca (Plymouth) Limited.
5. Authorise the Service Director for Finance (S151 Officer):
  - a. to nominate officers of the council to act as the Executive Board Directors of Arca (Plymouth) Limited on an interim basis pending development of full governance arrangements
  - b. to bring back a full report setting out the governance arrangements including the recommendations for appointment of Trustee Directors to the Box Foundation

## Alternative options considered and rejected

Do nothing. This would prevent appropriate contractual arrangements being made for the opening of The Box.

## Relevance to the Corporate Plan and/or the Plymouth Plan

A Democratic Council - The Council continues to adopt a pioneering approach to find flexible and innovative solutions to the challenges it faces, some of which are technical finance issues whilst others will resolve operational challenges to ensure best value for customers and the citizens of Plymouth. Adopting a strategic forward thinking approach will also ensure the company is set up to adapt, flex and ensure scalable solutions. Protecting the investment in co-operative assets will also assist with creating a more financially sustainable model so that visitors to The Box can enjoy it for years to come.

## Implications for the Medium Term Financial Plan and Resource Implications:

There will be direct and indirect implications relating to the setting up of the companies:

1. Two legal entities will be created; both will be a Company Limited by Guarantee. Arca (Plymouth) Limited will be VAT registered due to expected levels of turnover. Supporting this company will be a Charitable company with the purpose of receiving charitable donations, sponsorship and fundraising.
2. The cost of setting up the companies will be in the region of £170k covering all legal and tax advice and leases/licences

**Carbon Footprint (Environmental) Implications:**

None for the purpose of this report.

**Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:**

The directors of Arca (Plymouth) Limited will be responsible for all aspects of Health & Safety and Risk Management associated with the management of The Box although all such aspects are expected to be delivered by the Council on Arca's behalf, The Elizabethan House and Smeaton's Tower. There will be no impact on child poverty, with school visits scheduled plus free entry for The Box. Where charges are applied, for specific exhibitions and The Elizabethan House and Smeaton's Tower, children will continue to enjoy free entry.

**Appendices**

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		1	2	3	4	5	6	7
A	Briefing Report							

**Background papers:**

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	1	2	3	4	5	6	7

**Sign off:**

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Originating Senior Leadership Team member: Andrew Hardingham											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 20/09/2019											
Cabinet Member approval: Councillor Mark Lowry (approved verbally)											
Date approved: 30/09/2019											

## Financial Update on The Box – Briefing report

### Introduction

1.1 The Council is embracing financial challenges in driving up revenue, reducing cost, utilising the full range of its resources and assets whilst ensuring customers receive high quality services and value for money. The purpose of this report is to set up two flexible, scalable, wholly or partly owned companies to allow the Council to take advantage of innovative solutions to a broad range of financial challenges it currently faces and may well face in future.

### The Company Solution

2.1 The companies will need to deal with the following range of potential challenges and opportunities

- Technical Financial Solutions
- Cost Reduction Initiatives
- Revenue generation
- Trading potential
- Potential to perform activities more effectively and efficiently
- Technical Employment Solutions
- Tax efficiency (in both the cost base and the efficient collection of income, sponsorships and donations)
- Supporting the delivery of The Box, Elizabethan House and Smeaton's Tower objectives

2.2 The company solution is not an off the shelf model so there will be some set up costs to ensure both companies are scoped to deal with the range of needs The Box may require. The set up costs are estimated in the region of £170k which will include the tax and legal advice and the company registrations.

2.3 Arca (Plymouth) Limited will be wholly owned by the Council. The Council owner is The Leader but it is recommended this is delegated to a Senior Council Officer. This report recommends the Service Director for Finance (S151 Officer) with appropriate reserved matters in place. A board of directors will be set up to manage the company.

2.4 A new charitable company, The Box Foundation, will support The Box vision for education and outreach and to fundraise on a tax efficient basis to obtain commitment of significant financial corporate sponsorship and donations from philanthropists.

2.5 The primary activities of the charity at this early stage will be establishing its governance arrangements, entering into contracts with third parties in relation to fundraising, receiving money and then granting it out to The Box.