

| | |
|------------------------------------|---|
| Title of Report: | Scrutiny review into the utilisation of Shaw House |
| Report to be considered by: | Overview and Scrutiny Management Commission |
| Date of Meeting: | |

Purpose of Report: To outline the results of the investigation into the utilisation of Shaw House.

Recommended Action: That the Overview and Scrutiny Management Commission endorses the recommendations of the Task Group prior to their consideration by the Executive.

Key background documentation: The minutes of and papers provided to the task group (available from Strategic Support).

| Task Group Chairman | |
|----------------------------------|---|
| Name & Telephone No.: | Councillor Jeff Beck – Tel (01635) 447700 |
| E-mail Address: | jbeck@westberks.gov.uk |

| Contact Officer Details | |
|--------------------------------|-----------------------------------|
| Name: | David Lowe |
| Job Title: | Scrutiny and Partnerships Manager |
| Tel. No.: | 01635 519817 |
| E-mail Address: | dlowe@westberks.gov.uk |

Executive Report

1. Introduction

- 1.1 At its meeting of 21 May 2013, the Overview and Scrutiny Management Commission (OSMC) agreed to conduct a review into the utilisation of Shaw House.
- 1.2 This report provides the findings and recommendations arising from the review and sets out detail on its Terms of Reference and methodology.

2. Terms of Reference

- 2.1 The Terms of Reference for the task group were to conduct a review into Shaw House and in particular:
- Understand its current utilisation and costs
 - Assess the viability of future options for its use
 - Report to the OSMC thence the Executive with recommendations as appropriate.

3. Methodology

- 3.1 The review has been conducted by a cross-party task group, working with the Culture Portfolio Holder and Council officers from the Heritage team.
- 3.2 The members of the Task Group were Councillors Jeff Beck, Jeff Brooks and Sheila Ellison. Councillor Marcus Franks was initially a member of the task group and elected as Chairman but resigned following his appointment to the Executive. Councillor Beck was then elected as the Chairman.
- 3.3 The task group held the meetings outlined in the table below.

Table 1 – schedule of meetings

| Meeting date | Meeting focus |
|---------------------------|--|
| Thursday 1 August 2013 | <ul style="list-style-type: none">• Election of the Chairman• Agreement of the Terms of Reference• Tour of Shaw House• Previous scrutiny activity• Background briefing on<ul style="list-style-type: none">○ The House's history and its heritage○ Financial and usage data• Agreement of the review activity and schedule |

| | |
|------------------------------|--|
| Thursday 3 September 2013 | <ul style="list-style-type: none"> • Feedback from the Council's users of Shaw House • Comparator data |
| Tuesday 11 November 2013 | <ul style="list-style-type: none"> • Heritage location case studies • Consideration of the Portfolio Holder's working group report (options paper) |
| Friday 7 March 2014 | <ul style="list-style-type: none"> • Consideration of the Shaw House Business Plan |
| Friday 9 May 2014 | <ul style="list-style-type: none"> • Formulation of the recommendations |

4. Acknowledgements

- 4.1 The Chairman and Members of the task group would like to thank all those who supported and gave evidence to the review.

5. Background

- 5.1 Shaw House is the largest and finest Elizabethan house in Berkshire. Built for Thomas Dolman in 1581, it was a private home until 1939 when it was requisitioned by the military for wartime use. After use by British and American troops it became emergency accommodation for pupils from the Newbury Council School after it was bombed in 1943. Berkshire County Council (BCC) purchased the House in 1949 and the school continued to use the House until the mid 1980s when structural defects were identified.
- 5.2 After some remedial work the House remained empty and disused, although in the middle of the Shaw House/Trinity School campus. It transferred from Berkshire County Council to West Berkshire Council in 1998 together with £1 million towards the cost of restoration.
- 5.3 At that time the property was one of three buildings in West Berkshire on the English Heritage Buildings at Risk Register (Grade C). The other two were in private ownership. This category of building is defined as one where there is 'slow decay and no solution agreed with English Heritage for its future'. Only a Grade D classification of 'imminent danger of collapse' was a higher cause for concern.
- 5.4 In 2003 West Berkshire Council was awarded a grant from the Heritage Lottery Fund (HLF) for £4.2 million (the largest grant in the south east of England at that time) towards a £6 million restoration project. The other capital funds were the £1 million from BCC, £1 million from Section 106 money relating to the development of the new Vodafone HQ to the north of the Shaw House site and £125,000 from English Heritage.
- 5.5 The award of the HLF came with the conditions that:
- There was an 'enforcement period' of 25 years from 2009 during which time the Council would be bound by the terms of the grant
 - It could only be used for 'approved purposes'
 - There should be public access to the House for 116 days each year
 - Car parking should be removed from the immediate vicinity of the House

- £50,000 per annum should be allocated to a cumulative maintenance fund.

The HLF does not support commercial organisations and if a heritage asset were to turn a trading profit then it would need to be re-invested into the asset itself. This is often how independent museums and national museums work but not local authority institutions where there is always an element of core revenue funding.

5.6 The project was intended to:

- Accomplish the restoration
- Provide a sustainable future for the House
- Guarantee public access
- Promote understanding of the historical context and importance to the heritage
- Meet the needs of the key stakeholders
- Meet the wider strategic aims of the Council in improving environmental, social and economic well-being.

5.7 Although not all the individual elements of the restoration work had been completed, from November 2007 the House opened for venue hire from Monday to Friday. It also provided office accommodation for the Registration Service and the Education Curriculum Support team. Public access at weekends and school holidays did not begin until October 2008.

5.8 It was anticipated that Shaw House would generate the number of visitors shown in the table below.

Table 2 – visitor numbers (per annum)

| Activity | Number of visitors |
|---|---------------------------|
| Heritage Visitors | 3,300 |
| School pupil visitors | 1,680 |
| Entertainment, celebratory and civic events | 5,090 |
| Training courses, seminars and meetings | 7,500 |
| Total | 17,570 |

5.9 It was intended that there should be no increase in the revenue budget contribution to that supporting the services which were being transferred. In 2003 this allowed for a net revenue budget of £178,230, which for an estimated 17,570 users, which would equate to a cost per head of £10.14.

5.10 Ongoing management of the House is carried out by the Heritage and Tourism team in the Culture and Environmental Protection Service.

6. Findings

Finance

- (1) In the latest financial year for which figures were available at the time of the review (2012/13), the operating cost for Shaw House was £368,000. This covered expenditure on 8.21 Full Time Equivalent (FTE) employees, expenditure on maintaining the premises (for example, on rates, energy and maintenance) and for supplies and

services (for example, on the purchase of equipment, catering supplies and marketing). To meet these operating costs, the Council sets targets for income and also provides a subsidy. Detail on expenditure and income is shown in the table below

Table 3 – revenue expenditure and income

| | 2011/12 BUDGET | 2011/12 ACTUAL | 2012/13 BUDGET | 2012/13 ACTUAL | 2013/14 BUDGET |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Expenditure | | | | | |
| Employees (8.21FTE) | 251 | 205 | 256 | 190 | 223 |
| Premises (rates, energy, alarms, building & grounds maintenance, etc) | 101 | 108 | 104 | 101 | 107 |
| Supplies & Services (equipment, catering supplies, marketing, retail stock, telephones, laundry, etc) | 95 | 89 | 99 | 77 | 108 |
| Sub-total | 447 | 402 | 459 | 368 | 438 |
| Income | | | | | |
| Retail | -4 | -3 | -4 | -4 | -4 |
| Catering (external clients) | -100 | -73 | -100 | -27 | -27 |
| Venue Hire (external clients) | -101 | -63 | -101 | -22 | -57 |
| Admission Charges | -8 | -3 | -8 | -7 | -8 |
| Venue Hire (internal clients) | Inc above | Inc above | Inc above | -33 | -40 |
| Catering (internal clients) | Inc above | Inc above | Inc above | -47 | -40 |
| Miscellaneous Income | -61 | 0 | -61 | 0 | |
| Registration Service Premises Contribution | 0 | 0 | 0 | 0 | -72 |
| Education Team Premises Contribution | -6 | -6 | -6 | 0 | N/A |
| Training Team Premises Contribution | N/A | N/A | N/A | -11 | -44 |
| Sub-total | 280 | 148 | 280 | 151 | -292 |
| WBC budget/outturn | 167 | 254 | 167 | 217 | 146 |
| Variance (overspend) | | 87 | | 50 | |

- (2) As the table demonstrates, despite the application of the subsidy, an overspend still remains.

- (3) In addition to the revenue budgets outlined above, a capital maintenance fund also receives £50k per annum.

Current utilisation

- (4) Shaw House is currently used as a visitor attraction; as a meeting, seminar and conference venue; as office accommodation for a number of Council services; and as a venue for marriage and citizenship services. Detail on each of the uses to which Shaw House is put is set out in the sub-sections below.

Heritage visitor attraction

- (5) The House is open to the public as a visitor attraction for 116 days per annum. This is the minimum number of public access days required by the HLF grant conditions. Following a dip in 2009/10 and 2010/11, heritage visitor numbers rose in 2012/13 (the most recent year for which data are available) to 3,973. This is now back in line with the target for visitor numbers set in 2003, although the £7k it generated was £1k less than the income target.
- (6) The House is open every weekend between the February half term and the end of the August summer holidays; school holidays in February, May, August and October; and a small number of other weekdays for group visits.
- (7) Organised tours of the House have been well received by the public but visits by large numbers of school pupils have been difficult to accommodate due to the increased staffing requirements. The staff within the Heritage team have had neither the capacity nor the skills to maximise the opportunity presented by school bookings and in 2012/13 only 295 children explored the House as part of a school visit. An appointment has however recently been made to the post of Learning Officer to organise, co-ordinate and promote visits by school parties, although the work will not be exclusively for Shaw House.
- (8) Although a number of enquiries have been received from television and film production companies for use of the building as a setting, the House has not been considered appropriate as exclusivity cannot be provided.

Meeting, seminar and conference venue

- (9) The building provides a historic venue with nine rooms to hire for meetings, training, seminars and conferences.
- (10) Although the rates charged for use of the building for meetings are competitive for Newbury, the organisation making most use of the meeting facilities is the Council itself, for which there is an internal recharge system.
- (11) Use by other public or third sector organisations is around half of that of the Council. The number of bookings dropped during 2010/11 and

2011/12 (attributable to budgetary cuts) but returned to former levels (30+) in 2012/13. The private sector is not a significant user of the building, although use is rising slowly. This is demonstrated in the table below.

Table 4 – room bookings by user

| Year | West Berkshire Council usage | Other Public Sector/ Not For Profit bookings | Commercial bookings |
|---------|------------------------------|---|---------------------|
| 2008/09 | 65 | 33 | 2 |
| 2009/10 | 66 | 34 | Less than 1 |
| 2010/11 | 74 | 25 | 1 |
| 2011/12 | 73 | 20 | 7 |
| 2012/13 | 63 | 31 | 6 |

- (12) The provision of access to the building by the public, in compliance with the terms of the HLF grant, reduces the availability of rooms for meetings or seminars. There is a direct correlation between the times of the year when more access is provided and the number of bookings for meeting rooms: in August when the House is open to the public numbers drop significantly and the contrast with November (the busiest month for bookings) is marked.

Council service office accommodation

- (13) The Council's Registration Service, providing births, marriages & deaths registration, is based in, and conducts a range of ceremonies in designated rooms from, the House. For this during 2013/14 it made a contribution to the House's running costs of £72k.
- (14) The House's isolation from public transport access (rail and bus) makes it a near pre-requisite for those people visiting the Registration Service, of which there were over 15,000 in 2012/13, to use their cars. An outreach service at Calcot is however also provided.
- (15) Also accommodated is the Council's training unit, which has 5 rooms (including an ICT training suite and a manual handling room) and the ICT service that supports schools, which has one training room on the second floor. The training unit contributed £44k in 2013/14 but there was no contribution from the Education ICT service.
- (16) The contribution amounts have not been determined by market rates or other formulae by which charges might relate to the amount of space used, rather they have been derived from a proportion of the costs released by the sale of West Point, from where the services were relocated.

A venue for marriage and citizenship ceremonies

- (17) Shaw House provides the Registration Service with a 'regulatory room' for the conduct of ceremonies that comply with the minimum statutory requirements, and a more grand 'ceremony room' for larger services. The cost to members of the public for the use of these rooms is £49 and £150 (on average, as charges vary) respectively.
- (18) In total, 254 weddings were held at the House in 2012/13. Income generated from the conduct of ceremonies forms part of the Registration Service budget and is separate from any accounts relating to Shaw House.
- (19) The use of the House as the base for the Registration Service legally precludes its use as an 'approved premise', at which exclusive wedding services could be conducted.

Future options for use

- (20) In September 2013, a report by the Cultural Asset Working Group (set up by the Portfolio Holder) considered three options for the long-term future of Shaw House. These were to:
1. Close the House while future options were explored (mothball)
 2. Sell the building on the open market
 3. Develop the existing business
- (21) The Working Group selected the option to develop the business of the building within its current operating model. It did so on the basis that the House had the following strengths:
- It is the best surviving Elizabethan house in Berkshire
 - It has national recognition as a Grade 1 listed heritage asset
 - It has a history that is well documented with much recent research to support interpretation, marketing and promotion
 - It is located within walking distance of Newbury town centre, surrounded by residential areas and within easy travel distance of much of southern England
 - It is fit for purpose in the 21st century following the 2005/6 restoration.
- (22) Off-set against these strengths however were a number of weaknesses that directly affected the business of the site:
- The poor presentation of the gardens and environs surrounding the House
 - The unfinished car park to the east of the site and the detrimental appearance caused by parking to the south of the House
 - The quality and variety of the out sourced food offer
 - The lack of food preparation/kitchen facilities on site
 - The use by the Registration Service prohibits exclusive use by others thereby limiting venue hire options

- (23) The Scrutiny task group also identified additional obstacles that needed to be overcome or constraints that needed to be mitigated in order to maximise the site's value for money. These were:
- The planning conditions associated with a Grade 1 listed building are likely to be restrictive
 - The need to retain good relationships with those living and working in the vicinity of the House
 - The absence of suitable reception and banqueting areas for larger wedding receptions
 - The conditions imposed by English Heritage
 - The conditions imposed on award of the money from the Heritage Lottery Fund
 - The location of the building's toilets.

Draft business plan

- (24) A plan has been developed by the Heritage Service that is based on the key aim of continuing to develop the business and maximising the opportunities to generate income, whilst maintaining a high level of public access to the building.
- (25) To deliver on this aim, the following development activities are articulated within the plan, each with an associated business case.

Table 5 – individual business cases within the overall plan

| Business Case | Activity |
|----------------------|--|
| 1 | Simplification of the heritage admission charges |
| 2 | Growth in retail sales |
| 3 | Further development of the room/venue hire business, to increase use by non-West Berkshire Council clients including other public sector, community, charitable and commercial organisations |
| 4 | Wedding Venue development – ceremonies and drinks receptions |
| 5 | Events programming & development including fine art exhibitions |
| 6 | Increase the use by adults, young people and schools for formal education visits |
| 7 | Catering & café development |
| 8 | Seek alternative usage of some rooms on the second floor with charges for occupancy bringing in rental income |
| 9 | Decouple the rental income for West Point House from the HR training team 'contribution' and seek true cost recovery for the area they use within the House. |
| 10 | Garden development |
| 11 | Redevelopment of the Cottage |
| 12 | Redevelopment of the Coach-house & courtyard |
| 13 | Redevelopment of the Garden Bothy |

- (26) A prerequisite for this development work is the relocation of the office accommodation for the Registration Service away from the House. This is acknowledged within the plan.
- (27) The delivery of these activities is set within a framework that includes a small expansion of FTE staffing and a one-off increase in supplies and services expenditure in 2014/15. The premises maintenance budget will however remain unchanged, despite the increase in garden size following the recent transfer of grounds back to the House from Trinity School (when it became an academy and therefore an entity separate from the Council).
- (28) Improved marketing is recognised as being an essential activity to ensure that the use of the House is increased and a separate plan will be developed. The annual marketing budget is earmarked to rise from £4,000 to £7,000 per annum.
- (29) The draft business plan sets out to reduce the operating subsidy from around £150,000 per annum currently to c£36,500 in 2018/19. This is shown in the table below.

Table 6 – expenditure and income budget proposals

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|------------------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|
| | Budget | Budget | Proposal | Proposal | Proposal | Estimate | Estimate |
| Expenditure total | 455,000 | 438,000 | 436.860 | 454,907 | 450.900 | 455.900 | 460.800 |
| Income total | 280,000 | 292,200 | 284,700 | 302,110 | 367,939 | 403,958 | 424,166 |
| WBC net revenue | 175,000 | 145,800 | 152,160 | 152,797 | 82,961 | 51,942 | 36,634 |

7. Conclusions

- 7.1 It is evident to the Task Group that since the 2003 award of Heritage Lottery Fund grant to bring Shaw House back into public use, the Council has struggled to find the appropriate balance between providing universal access to a fine building and obtaining value for money. The decision therefore to establish a Cultural Asset Working Group to identify options for the House's future and then assess the relative merits of each was prudent but perhaps could have been taken earlier.
- 7.2 The Task Group supports the decision taken by the Cultural Asset Working Group to develop the business within the current business operating model.
- 7.3 The overall thrust of the proposed Business Plan appears to the Task Group to be sound and should, if the individual business cases within it are driven through to completion, go some way to significantly increasing the House's potential and utility.
- 7.4 The Task Group does however have the following concerns

- (1) The targets set within the Business Plan overall and in some Business Cases individually are insufficiently ambitious. The most noticeable example is as articulated in Table 6 (above). The reductions in net revenue contributions should go further and faster.
- (2) In some cases insufficient funding has been allocated to the achievement of the Business Cases and other activities. The marketing budget, for example, appears to be inadequate.
- (3) The skills available to the officers within the Heritage Team do not appear to provide a match with those required to market and promote to their full potential the uses to which the House will be put.

7.5 Should these concerns not be addressed then the Task Group is of the view that there is a risk that the House will continue to require a considerable annual subsidy from the Council and the residents of the District who fund it.

7.6 Recommendations to address the concerns outlined in 7.4 are set out below.

8. Recommendations

8.1 The Task Group proposes the following recommendations for the Portfolio Holder for Culture:

In respect of the overall Business Plan

- (1) Income targets should be set to achieve an operating surplus in a fashion that is commensurate with the conditions of the Heritage Lottery Fund.

Should it be determined that the terms of the grant are so prohibitive that an operating surplus is not legally possible then the operation of the House should aim to be revenue neutral.

The achievement of an operating surplus or cost neutrality (as appropriate) should be brought forward to no later than 2016/17.

- (2) The budget for marketing should be increased to at least £20k per annum.

In respect of the specific Business Cases

- (3) The days for which the House is open to the public should be increased to 200 per annum.
- (4) The target for the number of heritage visitors each year should be increased to at least 5,000 from 2016/17. Targets for the years prior to this should also be increased commensurately.
- (5) Volunteers should be recruited to assist with the running of the House, for example with school parties, the provision of information to heritage visitors and the maintenance of the garden.

- (6) The garden maintenance budget should be increased to reflect its larger size.
- (7) Priority should be given to increasing the number of room/venue bookings by commercial sector organisations to match that of public sector bodies (other than the Council) by the end of 205/16.
- (8) The relocation of the Registration Service administrative base away from the House should be concluded by no later than 31 March 2015.

Additional development activity

- (9) Steps should be taken to overcome the acknowledged obstacles to the use of the House by television and film production companies. The use of the House as a media production set should then be marketed.

Overall management and marketing

- (10) Serious consideration should be given to the outsourcing of the management of the House, its events and activities.

Appendices

There are no appendices to this report.