

APPENDIX 1 REPORT ON FM ARRANGEMENTS FOR GUILDHALL EVENTS

Committee(s): Finance Committee Corporate Asset Sub (Finance) Committee	Date(s): 10 December 2019 29 January 2020
Subject: FM arrangements for Guildhall events	Public
Report of: Joint report of the Remembrancer, Chamberlain and City Surveyor	For decision
Report author: Paul Double	

Summary

At its meeting on 12 November 2019 the Finance Committee agreed in principle that the current funding arrangements for the maintenance and capital needs of Guildhall's event spaces should be revised, with a view to achieving full transparency for subsidies, costs and allocations.

In light of this, direct and indirect costs of operating the event spaces are to be assessed against charges and set out within a profit and loss trading account.

A facilities event-related business or operating plan for events will be agreed between the Remembrancer's Office, City Surveyor and the Chamberlain, specifying the funding and management arrangements for the Guildhall event spaces. A designated fund is proposed, into which a proportion of the income generated by the venue will be paid, to be directed specifically towards event-related facilities requirements. This will enable investment in improved and up-to-date facilities, allowing a quicker response to new market opportunities, increased income generation and retention of Guildhall's reputation as an iconic venue for holding prestigious national and international events.

The Remembrancer would act as the single Chief Officer responsible for the profit and loss account and joint operating plan.

Recommendation(s)

Members are asked to approve:

1. The creation of a single profit and loss (P&L) account, showing the full direct and indirect costs of events.
2. The setting of charges for commercial events and those subject to a charity discount to exceed the direct and indirect cost of events.
3. The Remembrancer to act as the single Chief Officer responsible for the P&L account and a joint operating plan identifying event-related facilities

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requirements and a forward plan for the maintenance of the Guildhall event spaces.

Main Report

Background

1. The maintenance and capital needs of Guildhall's eleven event spaces reflect their primary use for the City Corporation's own purposes, comprising major ceremonial and policy-related events and departmental uses, in addition to commercial lettings and charity lettings and use by organisations with very close City connections. There are four principal current sources of funding:
 - i. Cyclical maintenance requirements, drawn from the 20-year plan, are bid for within the Cyclical Works Programme (CWP), along with other properties within the City Corporation operational portfolio. (The CWP planned spend is £1.5m in 2019/20 for the Guildhall).
 - ii. Any individual works or projects valued over £250,000 or forming a group of related works that, when combined, total over £250,000, form part of the capital projects bid process. Subject to approval and available budget, these are taken through the Gateway stages.
 - iii. Day-to-day maintenance is addressed by Guildhall FM's fixed and reactive budgets (£2.2m in 2019/20 for the whole Guildhall complex).
 - iv. The City Surveyor's Guildhall administration annual budget of £8.645m in 2019/20 covers the whole Guildhall complex.
2. The requirements of the event spaces, which are marketed as premium spaces to Guildhall commercial clients, differ markedly from the rest of the Guildhall complex, the majority of which is made up of office space. When works are undertaken, available budgets cover standard Guildhall complex finishes but not necessarily those expected for heritage buildings or for a prestigious venue let at commercial rates. Without timely maintenance programmes, there is a risk that Guildhall will cease to offer first-class event spaces for commercial and other use. This is reflected in feedback from clients paying to hire Guildhall event spaces. In feedback surveys, a third of users rated Guildhall facilities as only satisfactory or less. This is a markedly less positive outcome than for other aspects of the venue such as the overall venue-client relationship.
3. The City Surveyor has reported that the day-to-day maintenance budget covers the complex as a whole and the event space requirements are not differentiated or ringfenced within this budget. The reactive budget covers mechanical and engineering (M&E) only and does not allow for large-scale reactive fabric repairs, save for small scale works. If the budget is spent elsewhere, it can be difficult to obtain extra funding. The 20-year plan does not cover all the assets and fabric elements of the event spaces. The current situation has resulted in gaps in the ongoing planning and maintenance for the Guildhall event spaces.

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4. At present, Guildhall hire charges are reviewed every year in order to reflect both costs and market comparators. However, the exact costs attributable cannot currently be produced because the information is not available. This is because the Guildhall Administration costs are not split up in sufficient detail to capture exact costs attributable to event spaces. Currently these are apportioned (in accordance with a long standing practice) on a percentage basis. The Chamberlain and City Surveyor are now considering other methods to capture the exact costs attributable to the event spaces for the future.

Proposals

Guildhall events P&L account

5. As set out above, charges for paid events are currently set based on an assessment of event-related costs (variable costs) and an apportionment of overheads (fixed costs). There has been a form of P&L account in existence for some time which is reported annually to HWP as part of the annual charging review. This shows total costs attributed to charged-for events and, after income from those events, the contribution (net income) from lettings towards the total cost of running the Guildhall complex. A P&L account based on the current methodology is attached at Appendix 1. However, the Chamberlain now proposes that the charging mechanism be scrutinised prior to the next charging review to ensure that accurate costs are fully reflected in the charges set.

Designated fund

6. The Chamberlain proposes that a forecast of proposed requirements should be drawn up which would be met from the designated fund for the next 3-5 years. The fund may need to meet a higher drawdown in year one to fund any backlog of need, to level out over the following years. It is suggested that the available balance be set at £250k initially, with a top up at the end of each subsequent year to £100k. These two values are illustrative and would need to be supported by a forecast of items needed and how these items are essential in terms of either being necessary to maintain current market share or to grow the business.

Operating plan

7. A facilities event-related operating business plan for the Guildhall event spaces will be developed and agreed by the Remembrancer, Chamberlain and City Surveyor. The plan will detail the funding, management and operating arrangements including the funding sources identified in paragraph 1 of this report and the proposed designated fund. A review of current maintenance plans for the Guildhall event spaces will be undertaken. Expenditure which would need to be met independently of whether or not paid-for events took place in the venue would continue to be met in the usual way through the current funding sources.
8. The operating plan will outline the operating costs and include the cost of labour, FM services, fabric and furniture, AV, IT and administration. The operating plan would detail how FM services will support the event spaces, including operational and marketing strategies. The operating plan will describe how key areas including maintenance, cleaning, catering equipment and security will be delivered.

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Single officer responsibility

9. It is proposed that single Chief Officer responsibility for the profit and loss account, designated fund and the operating plan will be held by the Remembrancer. The Remembrancer will oversee the principles and development of the new framework, forecast costs and income, delegated authority for works over a certain amount and the reporting of the profit and loss account to Member committees.

Conclusion

10. The new arrangements will facilitate the event-related proposals submitted as part of the Fundamental Review and provide the basis for a joint Remembrancer and City Surveyor business strategy for the Guildhall event spaces. This will:
 - Align investment in improved facilities for the event spaces with the commercial income obtained from their use;
 - Enable the delivery of a first-class venue, offering flexible spaces and facilities needed to generate increased income and accommodate the City's own ceremonial and policy events;
 - Allow Guildhall to respond quickly to new market opportunities.

Appendices

Appendix 1 Current draft P&L account

Paul Double

City Remembrancer

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Appendix 1

Guildhall Lettings Trading Account 2018/19 Outturn

2017-18 Actual			Notes	2018-19 Actual		
REM Dept £'000	SVY Dept £'000	Total £'000		REM Dept £'000	SVY Dept £'000	Total £'000
<u>COMMERCIAL EVENTS</u>						
Income from Guildhall Lettings						
1,456	-	1,456	Commercial Rate	1	1,570	- 1,570
378	-	378	Charity Rate	2	474	- 474
456	-	456	City Rate	3	438	- 438
14	-	14	Special Rate	4	11	- 11
2,304	-	2,304	Total income		2,493	- 2,493
Expenditure relating to Guildhall Lettings						
(242)	(68)	(310)	Employees	5	(257)	(70) (327)
-	(455)	(455)	Premises Related	6	-	(453) (453)
(10)	-	(10)	Transport	7	(6)	- (6)
(59)	(3)	(62)	Supplies & Services	8	(46)	- (46)
-	(82)	(82)	Cyclical Works Programme	9	-	(103) (103)
(26)	(27)	(53)	Central Recharges	10	(25)	(24) (49)
(337)	(635)	(972)	Total Expenditure on Guildhall Lettings		(334)	(650) (984)
1,967	(635)	1,332	COMMERCIAL EVENTS – NET SURPLUS		2,159	(650) 1,509
<u>NON-COMMERCIAL EVENTS (NO CHARGE IS MADE)</u>						
Expenditure on other (non-commercial) events						
(515)	(145)	(660)	Employees		(662)	(180) (842)
-	(967)	(967)	Premises Related		-	(1,165) (1,165)
(21)	-	(21)	Transport		(16)	- (16)
(125)	(6)	(131)	Supplies & Services		(117)	- (117)
-	(173)	(173)	Cyclical Works Programme		-	(266) (266)
(54)	(56)	(110)	Central Recharges		(63)	(63) (126)
(715)	(1,347)	(2,062)	NON-COMMERCIAL - DEFICIT		(858)	(1,674) (2,532)
<u>COMMERCIAL AND NON-COMMERCIAL EVENTS COMBINED</u>						
1,252	(1,982)	(730)	Net operating cost of Guildhall event rooms		1,301	(2,324) (1,023)

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Notes

- 1) Commercial Rate is set at a market competitive rate which must exceed the amount required to meet Full Cost Recovery (this is the amount needed to meet Event-Related Cost Recovery plus a contribution to fixed costs which are a proportion of other salaries, repairs and maintenance, rates, cleaning, water, insurance, supplies and services etc. as applicable to the function areas).
- 2) Charity Rate is set at a discount of 30% to the Commercial Rate, subject to the resulting charge being set at least equal to the amount required to meet Full Cost Recovery.
- 3) City Rate is the amount required to meet security, cloakroom, function, electrician and plant engineer costs, electricity, heating and ventilating costs, administration and sound engineer costs.
- 4) Special Rate is set at 10% of the Commercial Rate.
- 5) Employee expenditure includes the cost of Remembrancer's staff who organise and run the events and support from the City Surveyor's Functions Team.
- 6) Premises related expenditure includes rates, repairs and maintenance, energy costs and cleaning and domestic supplies.
- 7) Public transport expenditure includes the cost of taxis to/from meetings and events.
- 8) Supplies and services expenditure includes equipment, furniture and materials, clothing, printing and stationery, professional fees, communications and computing and advertising and promotion.
- 9) Cyclical Works Programme expenditure includes the cost of general and specific works to ceremonial areas.
- 10) Central recharges include support services, IS recharge, legal fees and insurances relating to premises, engineering and liability.