

Birmingham City Council

Commonwealth Games, Culture and Physical Activity Overview and Scrutiny Committee

5th April 2023



Subject: Birmingham Culture Sector challenges / Funded organisations update

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Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:

Appendix 1 - 3 Information relating to the financial or business affairs of any particular person (including the council).

1 Purpose and Attached Documents

- 1.1 Report outlining the financial challenges affecting the sector (including the latest position with Birmingham Museums Trust and B:Music) and how the council is working with arts and cultural organisations to mitigate these challenges and build on the success of the Commonwealth Games.
- 1.2 Appendix 1 involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

2 Recommendations

- 2.1 To note the contents of this report and Private Appendix 1 (attached).

3 General Outlook

- 3.1 Since the meeting of the Committee in November last year, the Cabinet Member for Digital, Culture, Heritage & Tourism and the Head of Cultural Development and Tourism have met with senior executives and managers of the Council's regularly funded arts organisations.
- 3.2 Other than a couple of exceptions, most have been successful in securing Arts Council England (National Portfolio Organisation) funding for 2022-26 - but at standstill with no inflation. The majority are forecasting operational losses this year (some with significant deficits) which will need to be covered from reserves.

- 3.3 All have expressed similar challenges facing their organisation this year (and going forward) which also reflect the situation for the wider cultural sector. These can be summarised as.
- a) Reduced trading income for next 2yrs in line with sector trends
 - Wider cost of living crisis has a deeper negative impact on demand for discretionary spend industries (culture/entertainment) compared to essential (utilities/housing/food)
 - Hybrid working means that city centre footfall is still well below pre-pandemic levels with an associated impact on both daytime and evening events
 - b) Increase cost of utilities - rising building running costs (especially energy)
 - c) Increase of staffing costs
 - Increases in the Living Wage @ c.10% significantly increase the marginal cost of presenting events, reducing programme contribution at a time when sales have not fully recovered post-pandemic
 - Pay awards against cost of living/inflation
 - Filling frozen posts / recruitment challenges
 - d) Suppliers charging 10%-15% more across the board
 - e) Flat public investment with no inflation increases
 - f) Concern over depletion of reserves - remaining as a going concern

4 Birmingham Museums Trust (BMT)

- 4.1 BMT was established, as a company limited by guarantee with charitable status by Birmingham City Council in March 2012. The Council is the only Member of the charity which merged the in-house service with the independent Thinktank Trust. The initial service contract was established in 2012.
- 4.2 On 31st July 2018 Cabinet approved new 25-year lease arrangements for the council owned museum sites and the renewal of the services contract with BMT for the period 1 September – 31st August 2043 on a rolling four-year funding cycle basis aligned to Arts Council England's (ACE) funding cycle and the Council's funding commitments. The Cabinet meeting of 31 July 2018 also approved the commencement of Single Contractor Negotiation under Standing Order 5.2 with Birmingham Museums Trust
- 4.3 The contract fee in 2022/23 is £2.93m. Funding covers the Trusts' long-term planning in relation to the management of the Council's Museum collection, the programming of activities in city museums and supporting capital development proposals for certain heritage sites. The contract contains break options if the funding for a cycle is not viable for BMT.
- 4.4 BMT have been advised that the rolling four-year period arrangements for the Museums Service Contract Fee was to remain at standstill for 2022/23 and 2023/24 (inflation has not been awarded this year or next). In addition to the contract fee, a supplementary annual fee of £0.352m was agreed with BMT to take account of their ongoing responsibility for the Thinktank obligations – in place until such time as the Thinktank lease transferred to the city council.

- 4.5 BMT is also funded by Arts Council England as a National Portfolio Organisation (NPO). BMT were successful in receiving c.£3m+ over three years from ACE 2023-26 – but this is standstill budget with no inflation.
- 4.6 According to the Association for Leading Visitor Attractions (ALVA), UK tourism is recovering slowly with museums trending below pre-pandemic levels of visits. ALVA expect recovery to be at least two years.
- 4.7 A review of BMT's financial position commenced during autumn 2022 having been alerted by the Trust to a potential overspend in 2022-23. This was undertaken jointly with finance officers and BMT management to seek to clarify and understand the Trusts actual financial position. The process has not been helped by the absence of a BMT Finance Director but, BMT subsequently employed an independent finance consultant late last year to help interrogate their position. Previous years accounts were provided by BMT illustrating a good level of reserves which had increased in each of the last 2 years – facilitated in part by significant DCMS Cultural Relief Funding during the Covid pandemic. Notes on findings are attached in the Private Appendix 1.

BMT Capital Request for BMAG Reopening costs

- 4.8 The current CH Complex Rewiring and £5m MEND refurbishment works on BMAG are scheduled to end in August 2023 and the building handed back to BMT. In late 2022 the Trust informed the council that, following the completion of the infrastructure repair works, the museum will require substantial funds for internal refurbishment including the 42 gallery spaces prior to reopening.
- 4.9 In December, BMT independently prepared and provided the breakdown of proposed costs of reinstating the galleries and workspaces and a briefing note and draft projected budget was presented at Capital Programme Board on 5th January. Officers are working through these costs with BMT to draft a Full Business Case and report to Cabinet (date tbc) - seeking approval before BMAG reopens in 2024/25.
- 4.10 More recently, BMT approached the council to enquire about submitting a match funding bid for up to £5m to the National Lottery Heritage Fund (NLHF) which takes twelve months. Whilst this would substantially benefit the refurbishment of BMAG, it would mean delaying the reopening of BMAG until 2025/26. At the time of writing this report, no decision on application to NLHF has been made.

5 B:Music (Town Hall / Symphony Hall)

5.1 Overview

Although event numbers are broadly back to pre-pandemic levels, audience numbers remain slightly deflated across most genres with classical music events (which attract older audiences) the worst affected.

B:Music is both directly and indirectly impacted by the current energy crisis. The removal of the price cap impacts consumer spending power and the growth in uncapped commercial utility prices hits our cost base.

Inflation continues to impact negatively on the cost of presenting concerts, reducing margins at a time when attendances are already challenged.

- 5.2 In regard to the rising cost of service charges at the ICC raised by B:Music at the OSC meeting in June last year, officers continue to review the current lease arrangements held with the NEC Group. In the meantime, the following recommendation has been included in the Commissioning of Cultural Activities 2023-26 report to Cabinet on 21st March

2.3 Approves the recommendation to support B:Music with an in-depth financial review in 2023 to identify what measures / funding could be secured going forward to meet the increasing service charges at Symphony Hall.

6 General Support / Mitigation

- 6.1 Further recommendations in the Commissioning of Cultural Activities 2023-26 report include standstill funding for the regularly funded organisations over next three years (2022-26) which, despite not including any uplift for inflation, should provide some sustainability to arts organisations in their forward planning. This also matches the Arts Council NPO funding period.
- 6.2 In the meantime, BCC continues to work with Culture Central (the regions cultural sector membership organisation) to work on initiatives to support the culture sector such as The Birmingham Cultural Compact and establishing a new Philanthropic Network for Culture.
- 6.3 Officers are also working on submissions for other potential funding streams coming down the line which, whilst not ongoing revenue funding, will help support the wider cultural sector organisations deliver activity. These include
- Up to £4m CWG's Legacy Funding bid for a two-year Cultural Engagement programme with residents across the city
 - Up to £500k Shared Prosperity Funding for delivering cultural activity in meanwhile spaces and open spaces across High Streets and centres across the city over the next two years
 - Up to £1.4m Enterprise Zone Funding to support development of Cultural Action Zones across the city over the next three years
- 6.4 On a strategic level, the city council is hosting the Eurocities Culture Forum Conference over three days in October this year – welcoming up to 140 delegates from approx. 80 cities across Europe. Sessions will be hosted in a mix of city centre cultural venues based around Centenary Square but there will also be site visits and workshops showcasing independent cultural organisations across various parts of the city.
- 6.5 In regard to building on the success of the Commonwealth Games, the Council has committed to underwrite the 'One Year On' Culture Festival in July / August

and to develop the model for a new annual cultural festival from 2024. This year's Festival will be staged over 10 days in Centenary Square (Victoria Square and Smithfield are out of scope due to redevelopment works) but will include contribution from artists, arts organisations, and volunteers from across the city.

- 6.6 If the £4m bid for cultural engagement Legacy Funding is successful, a delivery plan has been developed focusing on grassroots engagement for residents across the city. This has been based on the research gathered from the Cultural Statement of Intent consultations last summer and the evaluation reports from the CWG's Cultural Programme evaluation research.

7 Any Finance Implications

- 7.1 The cost of the Birmingham Museum Trust annual service contract fee is as outlined above in Section 4.3 and 4.4 and complies with the Councils Medium Term Financial Plan.
- 7.2 The cost of the annual funding arrangements 2023-26 for regularly funded arts organisations including B:Music has been approved at Cabinet on 21.03.2023 and complies with the Council's Medium Term Financial Plan.

8 Any Legal Implications

- 8.1 Under Section 145 of the Local Government Act 1972 the Council may do, or arrange for the doing of, anything necessary or expedient for the provision of entertainment of any nature, the provision of a theatre, development, and improvement of the knowledge, understanding and practice of the arts and the crafts which serve the arts and any purpose incidental to the matters aforesaid.
- 8.2 Under the general power of competence per Section 1 of the Localism Act 2011, the Council has the power to enter the arrangements described in this report which also are within the boundaries and limits of the general power of competence Section 2 and 4 of the Localism Act 2011.

9 Any Equalities Implications

- 9.1 There are no implications in this report.

10 Appendices

- 10.1 Private Appendix 1 - 3. Information relating to the financial or business affairs of any particular person (including the council).