

# Extraordinary Overview and Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>National Heritage Centre, Newmarket</b>	
<b>Report No:</b>	<b>OAS/FH/18/09</b>	
<b>Report to and date:</b>	<b>Extraordinary Overview and Scrutiny Committee</b>	16 April 2018
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<b>Purpose of report:</b>	To provide the Committee with information to enable it to carry out the first stage of a scrutiny exercise for the 'Home of Horseracing' Project (now referred to as the National Heritage Centre for Horseracing and Sporting Art (the "National Heritage Centre")).	
<b>Recommendation:</b>	<b>Overview and Scrutiny Committee:</b>  <b>It is <u>RECOMMENDED</u> that, the Committee examines the issues set out in paragraphs 2.2 and 7.4 of the report, and makes recommendations to Cabinet/Council accordingly.</b>	
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

<b>Consultation:</b>	<ul style="list-style-type: none"> <li>N/A to this report.</li> </ul>		
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>N/A to this report.</li> </ul>		
<b>Implications:</b>			
Are there any <b>financial</b> implications? If yes, please give details	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	•
Are there any <b>staffing</b> implications? If yes, please give details	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	•
Are there any <b>ICT</b> implications? If yes, please give details	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	•
Are there any <b>legal and/or policy</b> implications? If yes, please give details	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	•
Are there any <b>equality</b> implications? If yes, please give details	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	•
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
N/A to this report.			
<b>Ward(s) affected:</b>	All Wards, but Newmarket in particular		
<b>Background papers:</b>	<ul style="list-style-type: none"> <li><a href="#">Council Report – CAB/FH/13/612 – 14 February 2013</a></li> <li>New Business Plan (see section 6 of report)</li> </ul>		
<b>Documents attached:</b>	<b>Appendix A</b> – NHC Press Release		

## **1. Key issues and reasons for recommendation(s)**

### **1.1 Background to the review**

1.1.1 The scrutiny request form approved for this item in late 2017 proposed two objectives for this review:

1. To carry out a routine post implementation scrutiny review of the Council's involvement in the Home of Horseracing Project, a year after its official opening.
2. To review the National Heritage Centre's future plans and how the Council can assist in their delivery as a partner.

1.1.2 As is common for a large and complex scheme, the final account process for the capital project is still being concluded and, therefore, rather than delay the forward looking elements of the work, it is now proposed to carry out this piece of scrutiny at two sessions. The first, higher priority session, to be carried out at this meeting, and involving external partners will look at:

- a) whether the Council's involvement in the project has resulted in the desired objectives?
- b) what role the Council can have in supporting the National Heritage Centre's future plans for growing visitor numbers, in the context of the wider Newmarket Vision?

1.1.3 When the capital project is formally closed down, there will then be a second, internally focused, session to see if there is any learning that can be applied to future council projects.

## **2. Structure to the scrutiny session**

2.1 The session will start with a tour of the facility for councillors. Following that, there will be a presentation from the National Heritage Centre and a discussion between the Committee and partners to explore the main issues.

2.2 As a broad structure for the session, it is suggested that the Committee examines the following issues, and makes recommendations to Cabinet/Council accordingly:

1. How has the capital project achieved the original objectives set for it by the partnership?
2. How has the National Heritage Centre performed in its first 18 months against its original business plan?
3. What does the National Heritage Centre's new business plan say?
4. Where does this fit into the Newmarket Vision and the Council's strategic plan?
5. How will the Council be involved in taking this forward, and what specific

assistance does the National Heritage Centre need?

- 2.3 It is important to stress that the Committee is looking at whether *the Council's involvement* in the project has achieved the desired objectives for the taxpayer and local community, and how it can support the National Heritage Centre going forward as a partner. The National Heritage Centre is an independent charity and any detailed review of its performance is therefore ultimately the role of its own trustees and the relevant national bodies.

### **3. Supporting Information**

- 3.1 The main information for the session will come from the tour, presentation from the National Heritage Centre and discussion with the partners. However, to support the Committee's work the following information is provided in advance as pre-reading.

### **4. Council Objectives (Council Report February 2013)**

- 4.1 Palace House was acquired by Forest Heath District Council in 1992 to safeguard its future. In the years that followed, the Council helped to set up the Home of Horseracing Trust with partners and the project being scrutinised at this meeting came into existence. In terms of understanding how the project has performed to date against the final set of objectives it is useful to refer to the Council report from February 2013 which approved the start of the capital project, and led to the new facility the Committee is visiting at this meeting.

- 4.2 That report is referenced in the background papers to this report (with a hyperlink on electronic versions) and can be provided to members on request. However, its full content is more likely to be relevant to the second scrutiny session in the future i.e. an examination of the capital project. It will therefore be provided in full as background for that later report. Of more relevance to this meeting were the five Council objectives for the project set out in that paper, which are summarised below (*NB some of these issues will also be tested further in the second scrutiny session for the capital project*):

1. Bring £14.3m of capital investment into Newmarket.
2. Upgrading the environmental conditioning and physical security of Palace House to provide a suitable space for the collections of the British Sporting Art Trust and the Tate.
3. Restoration of the Palace House Stables and Trainer's House to form new permanent galleries for the National Heritage Centre, new-build Temporary Exhibition Gallery, enlarged library, enhanced and expanded museum object store, study centre, meeting room and education suite to be accommodated in the main building.
4. Restoration of the inner 'Rothschild Yard' and paddocks beyond to return them to sustainable long-term use as a flagship home for the retraining of the racehorses charity.

5. Create a compelling tourist destination for UK and international visitors which will comprise a national heritage centre for horseracing and an integrated visitor attraction interpreting Newmarket's history, celebrating its position as the international home of horseracing, and for the first time at a single site, encouraging visitors to enjoy the experience of interaction with live horses while learning the town's unique sporting and cultural heritage.

## **5. 2012 Business Plan**

- 5.1 When it approved the 2013 Council paper, FHDC, like all the partners, was working to the 2012 business plan prepared for the National Heritage Centre. The first business plan for a new, as yet untested, venue is hard to write. Nonetheless, in 2012, it was envisaged that between 40,000 and 50,000 visits per year would be achieved when the National Heritage Centre was fully functioning, compared to just under 13,000 at the old museum in 2012/13.
- 5.2 In addition to these projected visitor numbers, the 2012 business plan for the National Heritage Centre also contained some further strategic objectives which it would be relevant for the Committee to review at this session, namely:
  1. The centre will highlight the contribution that Newmarket has made and continues to make to the growth of the worldwide sport and the industry of thoroughbred racing and breeding.
  2. Catalyst for the regeneration of the town.
  3. Greater tourist footfall and attendant increased visitor spend in the town will produce positive ripples of regeneration encouraging improvement in the town's retail offer and a re-focusing of its potential as a tourist destination.
  4. Improved educational facilities and programmes.
  5. Engage with the local community beyond the core racing audience.
  6. Engagement with diverse foreign language communities.
  7. Boost to the local and regional economy in terms of additional tourist income, employment and the economic impact of procurement of goods and services.

## **6. New Business Plan**

- 6.1 A new comprehensive Business Plan has been developed in consultation with the Arts Council as part of the application process for National Portfolio Organisation (NPO) status (see section 8 below). This new plan is the focus of this session.
- 6.2 To support this meeting, a full copy of the 2018-22 Business Plan has been

circulated separately to members of the Committee who will be attending the meeting, together with its appendices:

- A.1 – A.14 Financial Schedules;
- B Background information;
- C Marketing plan;
- D Equality Policy and Action Plan; and
- E Audience, Community and Action Plan.

***Please note that, since they are not council plans, and will be summarised at the meeting, these documents have not been attached to this agenda pack. Instead they will be circulated separately to members of the Committee with their agenda papers as background reading. If any member of the press or public would also like to read them they can be obtained by contacting [project@nhrm.co.uk](mailto:project@nhrm.co.uk).***

- 6.3 A presentation on the key features of the Business Plan will be given to the Committee at the meeting by the Director of the National Heritage Centre (NHC), Chris Garibaldi, and both he and the NHC's Finance Director (Mark Toller) will be available to answer any questions on this plan. The contextual information in paragraphs 6.4-6.9 below have been provided directly by the NHC for insertion in this report.
- 6.4 In summary, the plan sets out a strategy for consolidating the financial stability and sustainability of the organisation over the next four years (reflecting the Arts Council's NPO funding cycle). It projects a number of different scenarios including 10% and 5% income growth over that period as well as modelling a 'flatline' situation from 2017 figures and up to 20% under that 'flatline' case. It looks at the impact of all these scenarios on both the monthly cash flow and reserves position of the organisation. As a baseline, in its inaugural year of opening the site has welcomed over 33,000 visitors through its doors and offered over 2,422 educational visits with international visitors from over 28 countries which is a significant achievement.
- 6.5 Although the targets for growth are in some cases ambitious, the management team believes them to be achievable and has nevertheless prudently modelled a variety of scenarios should these targets not be met over the next four years.
- 6.6 The management team is fully focused on delivering the business plan and budget. It comprises experienced personnel and a detailed marketing plan has been developed with external support to maximise the impact both of the core offer and the special exhibitions programme.
- 6.7 Monthly management accounts and cash projections are prepared. These are monitored on behalf of the National Heritage Centre's Trustees by a highly experienced Audit and Performance Committee which is a sub-committee of the full Board.
- 6.8 A world-class National Horseracing National Heritage Centre and Gallery of Sporting Art together with a live horse experience has been created in the

historic home of horseracing with very significant financial support from the sport and industry of horseracing. The new venue was delayed in opening and has experienced more difficult trading than originally envisaged leading to recognition that it will take an extended start-up period to reach financial equilibrium. The Trustees are taking a realistic view of how long this will take and are fully focused on delivering the revised financial targets. The support of both the Arts Council and the Racing Foundation is crucial in enabling the National Heritage Centre to develop a significant exhibition programme that will underpin its long term commercial success. It has strong support in the racing industry which collectively is determined to see it succeed.

- 6.9 The ongoing support of Forest Heath District Council and Suffolk County Council is an essential element of that future success and the National Heritage Centre is extremely grateful for the councils' continued commitment to the project which represents a transformational opportunity for the town.

## **7. Newmarket Vision**

- 7.1 The delivery of the National Heritage Centre was referenced in the Prince's Foundation Enquiry by Design Report, 2013 that set out the "Newmarket Vision". Partners from the Vision were active in supporting the development of the centre, and have continued to promote its success. There is a strong overlap between the objectives for the National Heritage Centre in the Vision and the Council's project objectives. Nonetheless, they are provided here for completeness to aid discussion at the meeting.

- 7.2 Specifically, the National Heritage Centre was identified as a key feature of the town that would contribute towards the Vision:

*"In twenty years' time, Newmarket will be a popular visitor and tourist destination by using its unique position as the home of horseracing. Through strong branding and marketing Newmarket will be recognised as part of the Suffolk Tourism offer and positioned as the Gateway to the East of England".*

- 7.3 The National Heritage Centre is also intended to support the aim in the Vision that:

*"In twenty years' time, Newmarket will have improved the social connection between the horse racing and non-horse racing communities".*

- 7.4 At its scheduled meeting on 19 April 2018, the Committee will be receiving its annual report on car parking across the Forest Heath area. It would therefore be appropriate to highlight at this meeting if there are any National Heritage Centre-related actions to consider in relation to parking Newmarket, as these could be raised with Cabinet arising from the annual update. As a brief summary of the data in the Committee's report for 19 April, car parking in Newmarket has increased by 3.5% in 2107 (over 24,500 extra visitors). Within that net increase, there was a 12.7% increase at Rous Road (28,000 extra transactions), which can be directly attributed to the National Heritage Centre. Peak occupancy of Rous Road car park is

currently up to 77% on a non-racing weekday and up to 96% on a racing Saturday.

## **8. National recognition and funding**

- 8.1 Members will be aware that the National Heritage Centre was a finalist in the Art Fund 2017 National Heritage Centre of the Year prize. As a runner-up, the National Heritage Centre received an £10,000 award. This adds to the national recognition and funding the National Heritage Centre has received, as a capital project and now an ongoing concern. In the last few weeks, this has included becoming a National Portfolio Organisation (NPO) with the Arts Council. A recent press release from the National Heritage Centre in this regard is attached as **Appendix A**.
- 8.2 NPOs receive regular funding from the Arts Council - currently for a period of four years. They represent some of the best arts practice in the world. To consolidate the earlier support of the Arts Council for the project, it was therefore critical to the future development of the National Heritage Centre that it achieved NPO status for 2018-2022. As part of this status, the National Heritage Centre will receive a £220,000 revenue grant for the next four years, as well as the wider support of the Arts Council.
- 8.3 A key part of achieving NPO status is the Arts Council's assessment of financial robustness, which it has achieved (and is relevant to this scrutiny session). Specifically, however, it is a requirement of NPO status that an organisation must hold adequate reserves of between three and six months' turnover. As will be reported to the Committee at the meeting, the National Heritage Centre's new business plan and fund-raising strategy will see it build up its reserves to this required level by the time of the next NPO review in 2022. In the short-term, however, rather than borrow money simply to hold it in reserves, the Arts Council has allowed the National Heritage Centre to seek guarantees from supporting organisations instead.
- 8.4 The horseracing industry is already a major funder of the National Heritage Centre and, therefore, Forest Heath District Council and Suffolk County Council were approached in this capacity, and asked to provide letters of guarantee (as opposed to actual funds). Subject to annual review, each council was asked to guarantee up to £187,500 (tapering down over the four years as reserves build up). Although not expected to be needed, this would essentially be the offer of a 'last resort' overdraft facility, secured and interest-bearing in accordance with the Council's normal loans policy. Among the other safeguards which would be in place would be the requirement that, if the guarantee was ever called upon, the National Heritage Centre would give advance warning so a recovery plan can be discussed.
- 8.5 This request was received between council meetings and, therefore, so as not to jeopardise the NPO application, it was handled under the Council's urgency procedure. Following proper due diligence and consultation with the relevant Cabinet Members, and the Chairman of this Committee, the FHDC letter of guarantee was authorised by the Chief Executive under his urgency powers (and mirrored by an identical decision by SCC).



- 8.6 This decision will be reported for information to the next Council meeting as required by the Constitution. However, since another of the safeguards in the decision was the fact that the Committee would be scrutinising the new business plan of the National Heritage Centre, it is also being reported at this meeting. The Committee may also wish to discuss the Council's ongoing level of involvement in the governance of the National Heritage Centre, which was another safeguard included.