

# DUNDEE CITY COUNCIL

**REPORT TO:** Arts and Heritage Committee – 18 June 2001

**REPORT ON:** Dundee Industrial Heritage Ltd

**REPORT BY:** Director of Arts and Heritage

**REPORT NO:** 365-2001

## **1.0 PURPOSE OF REPORT**

To outline the current financial position in relation to Dundee Industrial Heritage Ltd (DIH).

## **2.0 RECOMMENDATIONS**

It is recommended that members:-

- 2.1 Note the current position regarding Dundee Industrial Heritage Ltd as outlined in this report.
- 2.2 Remit to the Director of Arts and Heritage to work with Dundee Industrial Heritage Ltd to further develop a case to the Scottish Executive for financial support.
- 2.3 Remit to the Director of Arts and Heritage and Director of Finance to continue to work with Dundee Industrial Heritage Ltd to progress a solution and report back to Committee in due course.
- 2.4 Approve grant funding of £26,000 for 2001-2002 as outlined in this report.

## **3.0 FINANCIAL IMPLICATIONS**

- 3.1 The expenditure of £26,000 can be met from the Arts and Heritage Revenue Budget 2001-2002. The terms and conditions of grant will be contained within a Funding Agreement 2001-2002, between Dundee City Council and Dundee Industrial Heritage.
- 3.2 It is likely that Dundee Industrial Heritage will seek additional financial support from the City Council to sustain its current operations. This situation will be closely monitored and a further report prepared later in the financial year.

## **4.0 EQUAL OPPORTUNITIES IMPLICATIONS**

- 4.1 Dundee Industrial Heritage's facilities at Discovery Point and Verdant Works allow access to services which are not achieved at the expense of the environment and which are accessible to all.

## **5.0 LOCAL AGENDA 21 IMPLICATIONS**

- 5.1 The organisation's principal activity is the provision of museum and heritage services for all the public, to encourage visitors to Dundee, and safeguard the city's rich industrial heritage.

## **6.0 BACKGROUND**

### **6.1 Current Position**

- 6.1.1 Dundee Industrial Heritage Ltd is responsible for the management and operations of two of Dundee's premier tourist attractions, Discovery Point and Verdant Works, as well as the Old Steeple. It is a charitable company being the trading subsidiary of Dundee Heritage Trust.
- 6.1.2 In the past year Dundee Industrial Heritage has invested £500,000 upgrading the exhibition centre at Discovery Point and the refurbishment of RRS Discovery, giving visitors a greater appreciation of the voyages of Captain Scott. It has also given access to more areas of RRS Discovery. Maintenance and upgrading of Verdant Works Museum continues, educating the public, visitors to the city and school children in the industrial and social aspects of the working population in Dundee during the latter half of the nineteenth and the early part of the twentieth centuries. In March RRS Discovery was 100 years old and a programme of events are planned to celebrate this centenary.
- 6.1.3 The organisation is heavily dependant upon earned income (90% of gross revenue) and is, therefore, particularly vulnerable to changing market conditions. DIH is operating within an increasingly competitive local market (the last 3 years have seen the opening of Pictavia, DCA, Sensation, Old Steeple and Dundee Ice Arena).
- 6.1.4 The Scottish market has been in general decline over the last 3 years due to factors including exchange rates, petrol prices and increased overseas competition. More recently the Foot and Mouth crisis has exacerbated this situation. Foreign visitors account for 50% of visitors to Discovery Point. 85% of visitors come from outwith Dundee.
- 6.1.5 The combined effect has resulted in falling visitor numbers which are having an acute impact on DIH's financial position. The out-turn for 2000/2001 indicates an annual deficit of £89,129.

### **6.2 Restructuring**

As a result of this position DIH have implemented immediate restructuring which has resulted in the reduction of current staffing. In addition it is proposed to reduce the opening hours at Verdant Works and close the Old Steeple between November and March. It is anticipated that this will result in annual savings of £45,000.

### **6.3 Draft Budget 2001/2002**

- 6.3.1 For the period April 2001 – March 2002, Dundee Industrial Heritage will continue to maintain and upgrade its facilities, offering high quality exhibits combining both education and entertainment value. There will be further investment of £200,000 to improve displays at Discovery Point and RRS Discovery. Events celebrating RRS Discovery centenary will continue to raise funds.
- 6.3.2 In addition DIH Ltd and the City Council reviewed the operation of car parking at Discovery Point during 2000 with the City Council now managing this on DIH Ltd's behalf. It is anticipated this will provide DIH Ltd with, in the region of, an additional £30,000 income in 2001/02.
- 6.3.3 Nonetheless the proposed budget for 2001/2002 projects a deficit of £28,647 across all functions. The Board of Dundee Industrial Heritage Ltd has agreed that this position is unsustainable. Appendix 1 outlines the budget position.

#### 6.4 **Cash Reserves**

With the assistance of Dundee City Council and Scottish Enterprise Tayside, a new car park will be opened at Verdant Works easing the car parking and coach parking problems of visitors. Dundee Heritage Trust currently holds reserves in the region of £150,000 although a substantial proportion of this is identified as capital contribution to planned improvements to the visitor facilities. While the application of some reserves to sustain the revenue operation of Dundee Industrial Heritage Ltd in the short-term (and particularly as part of a restructuring plan) is conceivable, DIH must reach a sustainable revenue position which does not year-on-year depend upon (ever diminishing) reserves.

#### 6.5 **Considerations**

6.5.1 The implementation of the above short-term restructuring exercise will reduce the deficit in 2001/2002. This assumes the level of business contained in the current Business Plan is achievable given the current tourism climate. DIH have identified that, notwithstanding the immediate restructuring, additional secure revenue funding will be required from a public source to sustain the current level of operation. DIH are currently discussing their situation with Scottish Enterprise Tayside, the Scottish Executive as well as Dundee City Council.

6.5.2 A more detailed analysis of the operating budgets indicates that while Discovery Point incurs a small loss based on current levels of income and expenditure, Verdant Works incurs significant losses. DIH has indicated that the closure of Verdant Works in its entirety is an option that may have to be considered unless a more sustainable revenue equation can be identified.

6.5.3 The Director of Arts and Heritage and Director of Finance have met with the Chairman, Finance Director and Chief Executive of Dundee Industrial Heritage to consider the current position. It is proposed that the Director of Arts and Heritage and Director of Finance should continue to work closely with DIH to monitor its financial position over the coming months with a view to an early identification of any changes to the deficit position. DIH are urgently presenting their case to Scottish Enterprise Tayside and the Scottish Executive with a view to securing additional revenue funding, although they have also indicated that they may formally request additional support from the City Council should these sources not be forthcoming.

#### 7.0 **CONSULTATION**

7.1 The Chief Executive, Director of Support Services, Director of Finance and Director of Corporate Planning have been consulted on this report and are in agreement with its content.

#### 8.0 **BACKGROUND PAPERS**

None.

Director of Arts and Heritage \_\_\_\_\_ Date \_\_\_\_\_

**APPENDIX 1**

	<u>Actual</u> <u>2000/2001</u> £	<u>Budget</u> <u>2001/2002</u> £
<u>Dundee Industrial Heritage</u>		
Central Operations	(114,199)	(120,745)
Old Steeple Operations	3,205	15,202
RRS Discovery Operations	(119,181)	(93,685)
Discovery Point Operations	154,362	163,776
Verdant Works Operations	(79,388)	(46,762)
Retail Operations	45,131	53,567
Total Surplus/(Deficit)	(110,070)	(28,647)
<u>Income/Expenditure Summary</u>		
Total Expenditure	(682,625)	(651,702)
Total Trading Income	475,519	536,400
Other Grant Income	62,536	51,155
Dundee City Council Grant	25,000	26,000
Old Steeple Revenue Grant	9,500	9,500
Surplus (Deficit)	(110,070)	(28,647)
Reserves (DQD)	20,941	0
Total Surplus (Deficit)	(89,129)	(28,647)