

Senior Responsible Officer Report - Poole museums capital schemes financial position as of July 2025

It is **RECOMMENDED** that Cabinet:

- Note that the museums capital scheme is forecast to exceed the approved resources by £553k alongside which there is a £785,500 shortfall in 3rd party contributions.
- Recommend that Audit and Governance Committee recommend to Council to approve the revised funding strategy for the Poole museums capital schemes which will mean an increase in the approved prudential borrowing of £1.3m.

It is **RECOMMENDED** that Council:

- Approves the revised funding strategy for the Poole museums capital schemes which subject to Audit and Governance Committee approval will mean an increase in the approved prudential borrowing of £1.3m

Financial summary and budget approvals history

- The information detailed in this document relates to 'Our Museum', 'Scaplens Court' and 'Temporary Exhibition Gallery', the three projects impacted by financial forecast change to end the projects.

The overall affordability assessment is based on all projects borrowing requirements including Salix.

Table 1 below shows the funding movement for the three projects from the outset in April 2021 to the current projected financial position and proposed expenditure budget increase of £552,717.

Table 1

Musems projects funding history	Proposed changes					Total
	Cabinet	ODR	Cabinet	Cabinet	Cabinet	
	14/04/2021	06/11/2021	25/05/2022	19/06/2024	16/07/2025	
Funding Stream	£000	£000	£000	£000	£000	£000
Grant: Natinal Lottery Heritage Fund	(2,240)			(750)		(2,990)
Grant: Historic England	(478)	106	(226)	16	(15)	(597)
Grant: Arts Council England				(450)		(450)
						0
Third parties & other		(420)		(558)	165	(813)
Third parties & other (underwritten by prudential borrowing)	(300)	(400)		80	620	0
						0
Community Infrastructure Levy/Sec 106	(200)	(239)	(500)	(16)		(955)
BCP Revenue Contribution to capital		(25)		(30)	(28)	(83)
Borrowing	(1,023)		(557)		(1,295)	(2,875)
Total project funding increase	(4,241)	(978)	(1,283)	(1,708)	(553)	(8,763)
Cumulative total projects cost	4,241	5,219	6,502	8,210	8,763	

2. History of budget movements: -

Officer Decision Record (ODR 06/11/2021): Identified cost increase from estimates at feasibility stage (Q4-2019) - this was revealed through design work and cost exercise (August 2021). Additional £978,000 was added to the projects. Third party contributions increased from £300,000 to £1.1m of which at this point £700k was underwritten by prudential borrowing. The Destination and Culture service directorate deemed the increase in underwriting by £0.4m, from £0.3m to £0.7m, to be low risk as there was a clear plan to achieve third party partnership fundraising target, and a considerable amount had already been secured.

Cabinet 25/05/2022: Costs increased across the schemes as a result of a number of factors, including scope increase and national pressures on construction projects as a result of Covid and Brexit which resulted in a funding gap of £1.28m for the projects considered in this report.

Additional scope work included backlog of essential preventative maintenance, urgent conservation and running repairs, fire regulations, mechanical and electrical costs, temporary exhibition gallery.

Cabinet 19 June 2024: Project costs for the Our Museum project and Scaplen's Court project increased overall with main drivers being the impact of inflation (c.14.5%), including a period of super-inflation, new scope, design development, site and market conditions, and an extended programme of around one year.

Our Museum, the Temporary Exhibitions Gallery, and the Ceramics and Design Gallery on the third floor of the Museum was new scope costing £0.334m.

3. The total Museums projects also include Salix of £1.496m and Public Realm phase 1 of £150,000 both now complete. Public Realm phase 2 of £ 300,000 is still ongoing not projecting any variances. Therefore, the overall budgets for the Museums projects totals £10.1m. The forecast funding gap of £674,717 equal 6.7% of the overall budget. The increase in borrowing requirement of £1.295m (including take up of borrowing previously underwritten) equals 12.8% of the overall museums programme.
4. Table 2 below shows the forecast expenditure increase of the Poole museums capital schemes since the Cabinet approval in May 2024 together with new funding shortfall, swap between third party contributions and prudential borrowing resulting in a net funding gap of £674,717.

Table 2

	Our Museum (including Activity plan) £	Scaplen's Court £	Temporary Exhibitions Gallery £	Ceramics Gallery £	Total £
Approved Capital Programme May 2024					
Community Infrastructure Levy	200,000	755,087	-	-	955,087
Third-Party - Other Trusts and Foundations	599,500	-	300,000	78,300	977,800
Third-Party - Other Trusts and Foundations (underwritten by borrowing)	620,500				620,500
Prudential Borrowing	1,071,696	508,253	-	-	1,579,949
Other BCP (revenue)	55,132	-	-	-	55,132
Grant: Natinal Lottery Heritageg Fund	2,990,000	-	-	-	2,990,000
Grant: Historic England	-	581,582	-	-	581,582
Grant: Arts Council England	37,867	-	156,930	255,203	450,000
Total Revised Capital Programme May 2024	5,574,695	1,844,922	456,930	333,503	8,210,050
Latest forecast capital expenditure	6,145,147	1,886,800	397,317	333,503	8,762,767
Variance between forecast capital expenditure and approved funding	570,452	41,878	-59,613	0	552,717
Variance forecast on approved funding					
Third-Party - Other Trusts and Foundations			150,000		150,000
Other third party contribution shortfall	15,000				15,000
Third-Party - Other Trusts and Foundations (underwritten by borrowing)	620,500				620,500
Additional borrowing underwritten ODR November 2021	-620,500				-620,500
Net variance from budget	585,452	41,878	90,387	0	717,717
Overspend %					8.7%
Proposed funding to finance overspend					
Other BCP (revenue)		(28,000)			(28,000)
Historic England (underspend public realm phases 1)	(15,000)				(15,000)
Net funding gap	570,452	13,878	90,387		674,717

5. Variances in Funding

- a. **£620,500 Third party fundraising:** efforts were led by an experienced team and successfully secured over £2m from third party trusts and foundations (excluding NLHF). Ultimately, based on funder priorities these funds could not be applied to the third-party fundraising target, which was underwritten by Prudential Borrowing in November 2021, and instead covered new scope.

Approvals under the Council's Financial Regulations were given for applications for funding for new scope that:

- provided for operational cost efficiencies including insulation, LED lighting, glazing and renewables; provided for critical upgrades to capacity of services and utilities,
- enabled critical repair and maintenance to roofs and rainwater goods,
- provided for enhancement of the setting of the museum through public realm improvements,
- added a permanent exhibition gallery and a temporary exhibitions gallery to significantly increase the visitor offer

None of the funds secured made a substantive contribution to the underwritten target for the NLHF project, however, all new scope benefitted the originally scoped scheme, offered value for money, and contributed to the Museum's strategic business plan and relevant Council Corporate Strategies.

The affordability of the underwritten third-party funding had already been assessed and approved, and the museum's business plan made the assumption that borrowing would be needed, in order that the risk of this funding not being secured was mitigated. From early

2024, it was apparent this target could not be met for a range of reasons; however, this was not clearly indicated or discussed in the financial implications section of the previous Cabinet paper in June 2024, which incorrectly noted this amount as ‘underwritten’.

- b. **£150,000 third party fundraising:** funding for the Temporary Gallery was incorrectly stated as a result of being double counted in the June 2024 cabinet paper. The cost of the gallery decreased at tender, and the pressure resulting is £90,000 and not £150,000 for this project.
- c. **£15,000 third party fundraising:** this funding was withdrawn by a funder.

6. Variances in Expenditure

It is important to note that an overspend at the end of a major capital project—particularly one involving multiple Grade I and II listed buildings—is not unusual. These projects often encounter unforeseen conditions during final phases, such as specialist requirements, contractor claims, or final fit-out complexities.

The overspend is primarily due to:

- Construction cost uplift – resulting from adverse site conditions (including major temporary works redesign as a result of structural issues, asbestos discoveries, and other structural challenges), significant prolongation (contractor’s costs), design development, and inflation
- Professional fees uplift – resulting from significant programme prolongation (design team costs), change, in particular significant claims for architectural and exhibition design services.

Overspend has crystallised subsequently to last capital programme report in June 2024 and could not have been foreseen at that time. All expenditure is unavoidable and has been minimised where possible. All contracts are let, and outputs and outcomes must be delivered to open the Museum and meet funder requirements.

7. Borrowing Requirement

Table 3 below shows the Poole museums projects total borrowing requirement:

Table 3

Borrowing requirement for museums projects	loan	rate	years	annual repayment
	£			£
Cabinet report 14 April 2021	1,023,000			
Cabinet report 26 May 2022	688,949			
Less Salix borrowing not included in this statement	(132,000)			
Borrowing approved by Cabinet	1,579,949	3%	25	110,596
Third party funding underwritten with Officer Decision record 5 November 2021	620,500	5.50%	25	58,948
Additional borrowing request July 2025	647,717	6.00%	25	67,472
Total borrowing repayment excluding Salix	2,848,166			237,016
Salix borrowing repayment	132,000	3%	25	9,240
Total borrowing requirement all museums projects	2,980,166			246,256

The borrowing repayment costs assume an asset lifecycle of 25 years. The different interest rates used reflect the original rates when the prudential borrowing was approved.

The 6% interest rate for the new borrowing request of £647,717 represents the prevailing rate on 5 June 2025.

The total borrowing repayment for all museums projects will be £246,256 per annum.

Table 4 below shows the cost of borrowing affordability assumptions. The borrowing cost is included in the expenditure section of the table. The assumptions show a net modest surplus of £13,994 per annum.

Table 4

Museums business case affordability assumptions	
Visitor Numbers per annum	220,000
Income	£
BCP Council Real Terms Contribution	(750,000)
Full Cost Recovery Fundraising	(25,000)
Business Units - (income)	(709,500)
Total income	(1,484,500)
Expenditure	
Business Units - (cost)	300,500
Employment Costs	475,000
Other running costs and overheads	273,750
Borrowing costs	246,256
Total direct costs and overheads	1,295,506
BUSINESS CASE LINES (FOR INVESTMENT)	
Apprenticeship	50,000
Outreach and Engagement Investment	25,000
Collections and Resources Care and Conservation	25,000
Additional Marketing and Promotion	25,000
Allowance for Increased Management and Maintenance	25,000
Sinking Fund' Wool Hall	25,000
Total other optional costs	175,000
Total Expenditure	1,470,506
Deficit/(Surplus)	(13,994)

8. Affordability of Proposed Prudential Borrowing for Poole Museums

The Poole Museum redevelopment represents a major capital investment, and as with many complex cultural projects within listed historic buildings, some end-of-build cost pressures have emerged. The requirement for establishing accessibility and opportunities for all to engage with, and benefit from the museum and its activities has been paramount throughout the capital project and will be embedded into the future operating plans and objectives of the museum.

Third party contribution of £437,800 is currently held in the Poole Museum Foundation bank account awaiting transfer to BCP Council once bank mandate has been changed. The drawdowns from The National Lottery Heritage Fund (NLHF) and Arts Council England (ACE), are expected in due course and carry no associated risk. This report seeks approval for additional borrowing of £647,717 representing the current forecast funding gap. Additionally, at this point, the Museum wishes to confirm the need to draw down previously underwritten borrowing of £620,500 (representing the shortfall of hoped for third party other contributions), a total new borrowing requirement of £1.3m

Affordability Assessment

The affordability of this borrowing is being evaluated based on the following key assumptions, professional expertise and financial indicators:

1. Visitor Forecast and Revenue Potential

- The redevelopment of Poole Museum is not only a cultural and architectural achievement—it is a strategic investment in public health and wellbeing. At its core, the transformation recognises the museum's power to improve lives through cultural

engagement. Programmes are designed to foster creativity, connection, and mental wellbeing, creating an environment where lives and relationships can flourish. This focus on wellbeing is embedded in the museum's design, processes, programming, and staffing, ensuring that inclusion and accessibility are not afterthoughts but foundational principles. This gives a confident forecast of circa 600 visitors per day, operating 360 days a year, equating to approximately 220,000 visitors annually with the Museum being free to enter and delivering a vastly enhanced estate of historic buildings alongside exhibitions and activities of the highest possible quality.

- The redevelopment of Poole Museum is a direct response to the ambitions set out in the BCP Cultural Strategy, which emphasises the importance of inclusive, accessible, and high-quality cultural experiences that contribute to placemaking, wellbeing, and economic growth. Conservative estimates on ticketed experiences, donations, retail, café and private hire have been developed, and this level of inclusivity provides a strong revenue base to support borrowing repayments.

2. Operational Budget Capacity

- The Museum's existing budget has been reviewed to identify areas where efficiencies or reallocations can support borrowing, and this is most likely in permanent staffing lines. This operational budget has also been reviewed to demonstrate where potential increases in earned income require cost control measures and sensible investment
- The Museum's operating model and 10-year plan is being reviewed with a NHLF Resilience fund (ESP) to ensure long-term sustainability. This includes a review of the staffing structure to ensure it reflects the challenges and opportunities that the new museum presents, and the need for efficiencies. As part of this a mixed economy cultural delivery structure supported by strategic partnerships, volunteers, freelance and project-based roles is being explored, ensuring flexibility, resilience, and continued excellence in service delivery.
- The Museum will reopen later this year and so the focus now turns to planning for its long-term sustainability. The Ensuring Sustainability Project (ESP) is developing a resilience strategy to address ongoing challenges such as staffing capacity, organisational structure, and pressures on non-statutory funding. This work is vital to maintaining the momentum of the redevelopment and supporting the museum's continued success.

3. Contingent Opportunities

- A potential £214,000 business rate rebate is under consideration. While not yet confirmed, if realised, this would significantly reduce the net borrowing requirement.
- An important part of the Museum strategy is strengthening partnerships that underpin the museum's resilience. The new Poole Museum Foundation (PMF) is one such partnership and plays a key fundraising role, providing support that enables the museum to deliver ambitious programmes and respond to emerging opportunities. It is regrettable that the external funding that would have avoided the need to draw down borrowing was not achieved, but with a new Board in place and with their continued involvement being central to the museum's ability to attract external funding it is anticipated that new funding opportunities will be possible going forward.
- In parallel, the museum is reviewing a range of operational approaches to enhance strategic flexibility (e.g. multiple income pipelines), broaden funding opportunities (e.g. with public health), and deepen public participation (e.g. with community and academic co-curation). These explorations reflect national trends in research and cultural

leadership and are designed to ensure the museum remains adaptable, inclusive, and well-positioned for the future. Significant efforts are in train to innovate and enhance fundraising, in summary;

1. a fundraising consultant will be appointed (funded by NHLF), a 'Development Strategy' and Campaign pipeline will be outputs of this
2. a refreshed relationship with the Poole Museum Foundation (PMF) who play a vital role in ongoing fundraising and advocacy efforts has been established
3. co-funded Wellbeing pilots with Communities, Partnerships and Community Safety Service within Public Health are being actively explored for funding
4. the government's Museum Renewal Fund has been applied to, with a view to secure support for the research and trial of the aforementioned cultural delivery model

9. Conclusion

While risks will remain up to and beyond the Museum's reopening later this year, particularly around the successful completion of the museum objects' installation programme and potential delays in final construction works, the project continues to move forward with determination and focus. On the resilience side, the interim staffing model and support through the first trading year represent the most significant operational challenges.

Despite these uncertainties, the Museum is well-positioned to demonstrate the affordability of the proposed £1.3 million in additional prudential borrowing. This confidence is underpinned by:

- Strong projected visitor numbers,
- Prudent financial planning,
- Potential for innovative income generation.

Ongoing financial modelling continues to refine our understanding of affordability. Nevertheless, the current strategy provides a credible and responsible path forward. With continued oversight, support and adaptive leadership, the Museum is on track to deliver a sustainable and vibrant cultural asset for the community.

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Funding history and tables 1- 3 prepared by Finance, Estates and Benefits