

Committee/Meeting: Strategic Development Committee	Date: 2 nd August 2010	Classification: Unrestricted	Report No: SDC003/011
Report of: Corporate Director Communities, Localities and Culture Originating officer(s) Heather Bonfield – Service Head Culture		Title: Consideration of S.106 support for Rich Mix Cultural Centre Wards Affected: All	

Lead Member	Cllr Denise Jones, Lead Member for Culture and Creative Industries
Community Plan Theme	A GREAT PLACE TO LIVE ONE TOWER HAMLETS
Strategic Priority	Strengthen and connect communities Work efficiently and effectively as One Council

1. **SUMMARY**

- 1.1 Rich Mix is an important cultural centre located in the north west of the Borough on Bethnal Green Road. It provides managed cultural workspace, cinema and cultural space for the arts and exhibitions. It is a unique space in the Borough and has the potential to benefit the Borough greatly. Since its opening in 2006 the Rich Mix has struggled financially and is currently in financial difficulties endangering its immediate future. It is not unusual for large venues of this kind to take a number of years to build its audience. In view of the significant potential that this resource has for leading community cultural and arts engagement and the significant capital investment made to bring the facility in to existence Members have requested officers to review the current financial position of Rich Mix.

2. **RECOMMENDATIONS**

- To agree the adoption of option 3 as detailed in paragraphs 8.7-8.10 of this report
- To authorise the Corporate Director of Development and Renewal to progress option 4 and to negotiate with the Rich Mix based on the performance areas specified in Section 2 of Appendix 2 for inclusion in a SLA.
- Subject to agreeing options 3 and 4 authorise the Corporate Director of Development and Renewal to administer the draw down of S.106 monies by Rich Mix against the negotiated performance framework set out in the SLA referred to above.

3. REASONS FOR THE DECISIONS

- 3.1 Rich Mix represents a significant cultural asset for the Borough with the potential to provide a major contribution to the cultural fabric of the Community. Given its current financial position consideration of the role the Council might play in its future is considered sensible. It is also worthy of note that S106 funding available to allocate to the Rich Mix has recently been triggered and Member consideration at this time is appropriate.

4. ALTERNATIVE OPTIONS

- 4.1 If Members were minded to support the Rich Mix financially it could decide to do so from the General fund. However SDC does not have authority to commit general fund resources to this project and the General Fund is under significant financial pressure at this time. S.106 funding is currently available to assist following activation of triggers requiring developer payments to the Council the timing and nature of which is pertinent to the subject of this report and details of which are contained in S.7.

5. BACKGROUND

- 5.1 Rich Mix is a cross-cultural arts and media centre located in the north-east of Tower Hamlets (Appendix 1); it aspires to have a regional presence and user base.
- 5.2 The Centre houses a three-screen cinema; recording and music training studios; a 200-seater performance venue; education and exhibition spaces and a broadcasting centre for BBC London/BBC 2012. It provides facilities for a range of paid for and free events, activities and educational programmes.
- 5.3 The Rich Mix Cultural Foundation runs the facility and has operated as a charitable company, limited by guarantee, since 2004 (Rich Mix Cultural Enterprises Limited is a wholly owned subsidiary of the Rich Mix Cultural Foundation).
- 5.4 The Centre opened in 2006, though in a partially completed form, and transfer arrangements for the associated land and property occurred in December 2007. The official launch of the completed building took place in October 2008.
- 5.5 The project was considered a regeneration project and therefore overseen by Development and Renewal until earlier this year when its status as a regeneration project was reviewed and it was decided that on going engagement with issues affecting the strategic future of the Rich Mix Centre should now more properly fall to Communities Localities and Culture to address.

5.6 The Project

- 5.7 Rich Mix concept began its development in 1992 as a regeneration project when the Council and Urban Space Management held an exhibition in Spitalfields Market. The concept was explored with the community and at a series of pan-London meetings at that time. The project proper was initiated through Cityside Regeneration in 1996, as part of an SRB3 Programme (a successor funding programme to the Bethnal Green City Challenge).
- 5.8 The project involved the purchase of two sites; 39-47 Bethnal Green Road by the Cityside Regeneration Company (for the LBTH), and at a later stage, 35-37 Bethnal Green Road by the London Development Agency. Through these purchases and the subsequent programme of capital works, the former industrial spaces and cinema were converted into an 'international cultural, educational and heritage centre for London'.
- 5.9 The Mayor of London (Ken Livingston) personally launched the project at an event in April 2002. In November 2003, the Council agreed that the Rich Mix Cultural Foundation (RMCF) would assume accountable body responsibility for the receipt of all grants, and the letting of contracts to develop the Centre. This was as part of a complex funding package to enable the capital project to commence.
- 5.10 At February 2006, the planned capital costs of the project were £26,810,000 The funding split is set out below :

	Value	£000
Estimated project costs		26,810
Funding secured		
Arts Council for England		6,265
Millennium Commission		5,050
London Development Agency		4,460
Single Regeneration Budget		2,343
European Regional Development Fund		730
LB Tower Hamlets		2,750
ODPM – Thames Gateway Sustainable Communities Fund		2,700
Spitalfields Market Community Trust		500
Garfield Weston Foundation		100
Bridge House Trust		200
Gatsby Foundation		650
Other contributions		212
Total		25,400
LBTH Forward Funding Facility (S106 loan)		850

- 5.11 There were cost over runs and D+R have confirmed that the Council's total investment in the building was £3.6m. This investment is only partially protected by a charge on the property and a Deed of Priority with the other major funders (Arts Council, LDA and Millennium Commission/ Big Lottery). This arrangement means that if RMCF were to be wound up and the site sold, priority as creditors would be to the major funders, and proceeds from the sale would be distributed in proportion to the sums invested. Whilst the Council is one of these Major funders it is understood that the LDA has top priority with the Council and others receiving a proportion of what remains. With property values low at this time there must be some doubt about the extent to which the value of this investment could be recovered.
- 5.12 The legal arrangements relating to the Rich Mix project are complex. The Council transferred its freehold interest in the site (which had been purchased by the former Cityside SRB Company with SRB funding) in 2006 after receiving ministerial consent. The LDA owned part of the site was transferred to RMCF on the basis of a long-leasehold.
- 5.13 SLA's were drawn up for the revenue support that was provided, and these tended to focus on the regeneration aspects of the project e.g. local employment and creative industry related targets: Cultural and Arts related outcomes were dealt with by ACE, as Rich Mix has the status of a Regularly Funded Organisation (RFO). This is up for review at the end of 2010/11. The Council provided £100,000 per annum in revenue support for three years ending in 2009.

In total the Rich Mix Centre has previously received revenue and capital funding from the Council of £3.9m . Of this £0.850m is intended by the Council to be considered as a loan, but no repayment has been received from the Centre and this is currently subject to negotiation with the Rich Mix. If this is not resolved, a report will need to be submitted to the Cabinet on this matter in due course.

5.14 The Immediate Challenge for Rich Mix.

- 5.15 Last year Rich Mix appointed a new interim director following a year of poor financial performance. The major areas of variance in 2009/10 were:-
- Lack of success in attracting further grant or sponsorship support.
 - Increased net cost of the Arts Programme where costs exceed income by £93606.
 - Under budgeting for casual staff to ensure public facing services were adequate

- 5.16 The new Director is clearly having a major impact over a very short time transforming the performance of the enterprise trading arm of the Rich Mix. Over the four months from February to May 2010, cinema income was up 10% on the same period the previous year (up from £153k to £168k). Throughout the same period income from room hire / external events rose by 22% from £114k to £139k. Loss-making catering operations have been restructured significantly and elements of the food offer have been stopped. This allows the catering operation to focus on those elements that are generating a surplus. The changes to the catering operations are expected to generate a greater level of surplus in 2010/11.
- 5.17 Rigorous income monitoring processes are now in place, setting weekly targets for a range of operations, including cinema, catering and events. These processes allow for greater levels of accountability and enable management to target areas of underperformance. Monitoring for the first two months of the current financial year suggests that target setting is robust and achievable.
- 5.18 In addition to this, review of the 2010 Rich Mix Business Strategy has demonstrated clearly that The Rich Mix is in a much improved position to balance their budget this year. There is now a clear short term plan for survival that can buy the new management team time to strengthen their business data and develop a medium term business plan.

6. BUSINESS PLAN REVIEW.

- 6.1 Any decision that determines the appropriateness of providing further financial support to the Rich Mix must be informed by a clear assessment of the strengths and weaknesses of the organisations business plan. The new management regime has not had sufficient time to develop a detailed medium term business plan. It has had time to undertake the work necessary to stabilise the business and it seeks to develop a full business plan later in the year. The analysis presented here focuses on the 2010 business information provided by Rich Mix and compares it where necessary with the previous year's financial outturns. However the figures provided for 2009/10 were not the audited accounts which have yet to be filed with the Charity Commission.
- 6.2 The principle and most immediate threat to the financial sustainability of The Rich Mix is an accumulated trading deficit of £562k as indicated by the Centre's own accounts. Setting aside this deficit the 2010/11 budget projections indicate an end of year surplus of £13,557 representing a considerable improvement on a projected deficit of £232,674 for 2009/10.
- 6.3 This projected balanced position is being achieved by the following:

- A restructure of their catering operations to remove loss making functions refocusing on business areas with higher margins.
 - A staff restructure and pay freeze reducing staff costs by 16%.
 - A range of initiatives to control expenditure and monitor income.
 - Increased performance of enterprise function to generate more income primarily from Cinema and Venue Hire activities.
- 6.4 The signs based on early first quarter performance are looking positive (see S.5.16 -18)
- 6.5 The organisation vision as articulated by the following statement has been refined to make it more directly relevant to the Community of Tower Hamlets.
- 6.6 *'Rich Mix exists to be a place where the communities of the world who are the citizens of East London can come together to experience and make world class art and feel that they belong'.*
- 6.7 The business plan narrative shows an improved appreciation of risk and risk management.
- 6.8 Rich Mix currently receives around £700k per annum from the Arts Council (see Appendix 5) to fund its core arts programme and central organisational costs. Its Regularly Funded Organisation (RFO) status is up for review at the end of 2010/11. Whilst the Arts Council has remained very supportive of the Rich Mix and Rich Mix management continue to work closely with the ACE there is no guarantee that this funding will continue in the next financial year. Initial general correspondence from the Arts Council to funded organisations suggest a minimum 10% reduction next year but given the timing of the RFO review for Rich Mix reductions could be much greater. Without a medium term business plan in place the Council is not in a position to judge how (or if) Rich Mix would cope with reduction or loss of this funding other than to cease all arts programming. In addition Rich Mix have confirmed that the Arts Council have informed them that unless the Council are prepared to provide some funding for the Rich Mix it is very likely that the Arts Council would stop its funding from April 2011.
- 6.9 There are some assumptions within the 2010 operational plan that are very ambitious. These include a 36% increase in venue hire income and a 15% mark up on food resale. Whilst early indications are positive (e.g. 22% increase in venue hire performance between Feb. and May 2010) some risk must remain that these targets may not be met.
- 6.10 As explained in 6.2 if one looks at the project trading position freed of the burden of the £500k cumulative deficit the projected surplus for the year is £13,557. Whilst this would represent a significant turn around

from performance of the previous year this will still not represent a strong trading position and will limit room for development of the cultural agenda until such time that the trading position becomes stronger. This will have a limiting impact on the ability of the Council to set community specific stretch targets in exchange for the first £500k over and above those identified in the appendices.

- 6.11 The new Director is doing an excellent job at turning around the Rich Mix over a short period of time. Rich Mix have confirmed that the Director will remain as a part time employee until at least March 2011. The Chief Finance officer is currently on long term sick. The organisations management team needs stability and further strengthening. It is not clear how this can be achieved with current budget restrictions.

7. A PROPOSED WAY FORWARD

- 7.1 Funding for the redevelopment of the Rich Mix was secured from a number of sources all of which are set out in Paragraph 5.10 above. Should the Rich Mix go into liquidation and a forced sale of the building follow, then it is likely that only a fraction of this public investment will be recovered. Certainly the Council's investment in the facility would not be recovered in full and the benefit of the revenue support provided to the organisation up to 2009 would be lost as the creative legacy it has helped to sustain along with future potential would be gone. In addition this would place an increased burden on the cultural and creative industries infrastructure that may result in the loss of cultural industries from the Borough.
- 7.2 If Members consider it appropriate to support the Rich Mix it should be noted that a sum less than £500k would be insufficient to keep the organisation solvent as it is required specifically to address the problem of their accumulated deficit and avoid the immediate threat of creditors foreclosing. Rich Mix has indicated that there is no prospect of securing this funding from anywhere else within time frame required.
- 7.3 Should Members be so minded the S106 funding considered most suitable to support Rich Mix is **PA/07/02193**. This relates to a Telford Homes Scheme on the opposite side of the road to Rich Mix. This development at 32-42 Bethnal Green Road is a scheme to provide 360 new residential units, with 35% of the provided habitable rooms to be affordable and was approved by the SDC in March 2008. The agreement provides a total sum of £2,093,978 for cultural, social and community products and for the provision of workspace offsite to be paid by four equal instalments. Each instalment to be paid nine months apart over a period of 27 months from the commencement date. Each instalment would equate to £523,494.50. The first payment is now due from Telford Homes.

- 7.4 On the basis of the 2010 business information reviewed it is clear that The Rich Mix would be a viable business provided it receives some form of financial assistance to address current liabilities. It clearly continues to offer the potential to become a first class cultural centre for the People of Tower Hamlets. However provision of any assistance must be assessed in the light of current business planning shortcomings outlined above. The focus must be on demonstrating on going progress throughout 2010 and medium term business sustainability there after.
- 7.5 Whilst options 2-4 outlined below go some way to focusing on these priorities Option 3 does this most effectively by linking funding directly to 'in year' business targets and to the priority development of a robust medium term business plan.

8. OPTIONS

8.1 The following options set out alternative approaches to the issues outlined above. The proposed targets referred to in the options and key performance areas to guide further negotiation on targets to trigger payment are set out in Appendix 2. The payment schedule outlined in Option 3 focuses on receipt of evidenced confirmation of first quarter (April – June) performance against defined targets, mid year (July - Aug) performance evidencing sustained progress against defined targets and full second quarter performance (October) evidenced against targets yet to be established. A letter confirming The Rich Mix Management's acceptance of a performance focused framework as the basis for drawing down any financial assistance provided to them by the Council is included in Appendix 3.

8.2 Option 1.

8.3 No financial assistance is provided to Rich Mix.

8.4 Option 2.

8.5 Subject to the Council receiving the first payment of 500k (or part there of) from Telford Homes on the Bethnal Green S.106 these monies to be given to Rich Mix.

8.6 Option 3

8.7 Subject to the Council receiving the first payment of 500k (or part there of) from Telford Homes on the Bethnal Green S.106 these monies to be given to Rich Mix within the following performance framework:-

8.8 A first payment of £150,000 to be drawn down by Rich Mix following achievement of the key first quarter business performance targets (April –June 2010) set out in Appendix 2. This will be paid as soon as

an SLA agreement is signed by Rich Mix and receipt of evidenced confirmation of these target achievements.

- 8.9 A second payment of £150,000 to be drawn down by Rich Mix in August following achievement of business performance targets set out in Appendix 2 for the period July - August and to be paid following receipt of evidenced confirmation that they have been met.
- 8.10 A third payment of £200,000 to be drawn down by Rich Mix in October 2010 following evidenced achievement of further performance targets for the full Second Quarter (July –Sept) to be negotiated by officers focusing on key performance areas set out in Appendix 2 (Section 2).
- 8.11 Option 4.**
- 8.12 Members have the option of extending the support beyond that set out in Options 2 and 3 above to include further payments as set out below.
- 8.13 The remaining three instalments of £523,494 each (or any part thereof) subject to being paid by the developer are nine months apart and will be made available in the financial year that they are paid for Rich Mix to draw down subject to performance against further targets to be agreed with the Council for each tranche focusing on those key performance areas set out in Appendix 2 (Section 2).

9. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 9.1 This report sets out details relating to the current financial position of the Rich Mix Cultural Centre and seeks Committees consideration of the decisions required as set out in paragraph 2.
- 9.2 As outlined in paragraph 6.1, this report concentrates on the 2010 business information supplied by the Rich Mix and does not consider in detail previous years financial outturns. Final outturn figures for 2009/10 have not yet been received but the latest projections indicate a cumulative deficit as at 31.3.2010 of approximately £562k.
- 9.3 A review of the 2010/11 Business Plan and related financial projections indicates that an improved financial position could be achieved by 31.3.2011 (net surplus of £13.5k). However, the new management team has not yet been able to develop a detailed business plan and this will be crucial to the financial viability of the organisation, which faces a range of significant financial challenges e.g. a minimum 10% reduction in Arts Council funding in 2011/12, reducing the cumulative deficit, and developing a robust business model.
- 9.4 Failure to improve on the current trading performance is likely to result in the organisation no longer being financially viable, as a consequence of which the site is likely to be sold with the Capital investment of

£3.6m made by the Council unlikely to be recovered given current property values, in addition the benefit of the Council's £300k Revenue Support (paragraph 5.13) would be negated.

- 9.5 Initial indications in 2010/11 suggest that the new Director is effecting improvements in the trading operation of the organisation, but inherited budget pressures are likely to make sustainable improvement difficult without alternative funding sources being identified. If members decide to allocate funding, Option 3 would be the most financially prudent for the Council, which would need to be supported by an SLA drawn up by Legal Services detailing relevant performance targets.
- 9.6. The Council has previously provided funding of £3.9m to the Rich Mix Centre of which £850k is intended by the Council to be considered as a loan and which is currently the subject of negotiation between the Council and the Rich Mix.
- 9.7. Existing or further grants or loans to the Rich Mix could be protected by a legal charge on the property, although there are already a number of such charges which would take precedence.

10.0 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 10.1 The section 106 agreement referred to in the report does clearly give the Council wide discretion in relation to what projects the money is spent on.
- 10.2 The objectives set out in appendix 5 would fall clearly within the cultural, social and community ambit of the S106 agreement so payment can properly be made to Rich Mix from this S106 agreement.
- 10.3 There is no legal impediment to paying some of the money for Rich Mix to clear the cultural centre's debts so that it can continue to provide a cultural/social programme

11. ONE TOWER HAMLETS CONSIDERATIONS

- 11.1 The Rich Mix is considered to have the potential to play a major role in the cultural offer of the Borough and is making real efforts to develop an agenda that is more than ever focused on the needs of the community it serves. It has already achieved a number of high profile arts events focusing on the wide diversity of the London and East End community and holds out the prospect of being a great show case and support for local talent.

12. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 12.1 There are no specific issues relevant to this matter.

13. RISK MANAGEMENT IMPLICATIONS

13.1 The key risks are clearly outlined in the Business Plan Review above.

14. CRIME AND DISORDER REDUCTION IMPLICATIONS

14.1 The Rich Mix has a number of programmes focusing on working with young people and schools. To the extent that this provides diversionary activities that can actively engage young people it helps to keep them safe and focused on constructive activities that help develop self esteem and social skills.

15. APPENDICES

Appendix 1. Site Plan

Appendix 2. Outline S.106 performance framework.

Appendix 3. Letter from Rich Mix Management

Appendix 4. Arts Council Funding Confirmation for 2010

Appendix 5. Rich Mix Business Plan Summary 2010/11

**Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report**

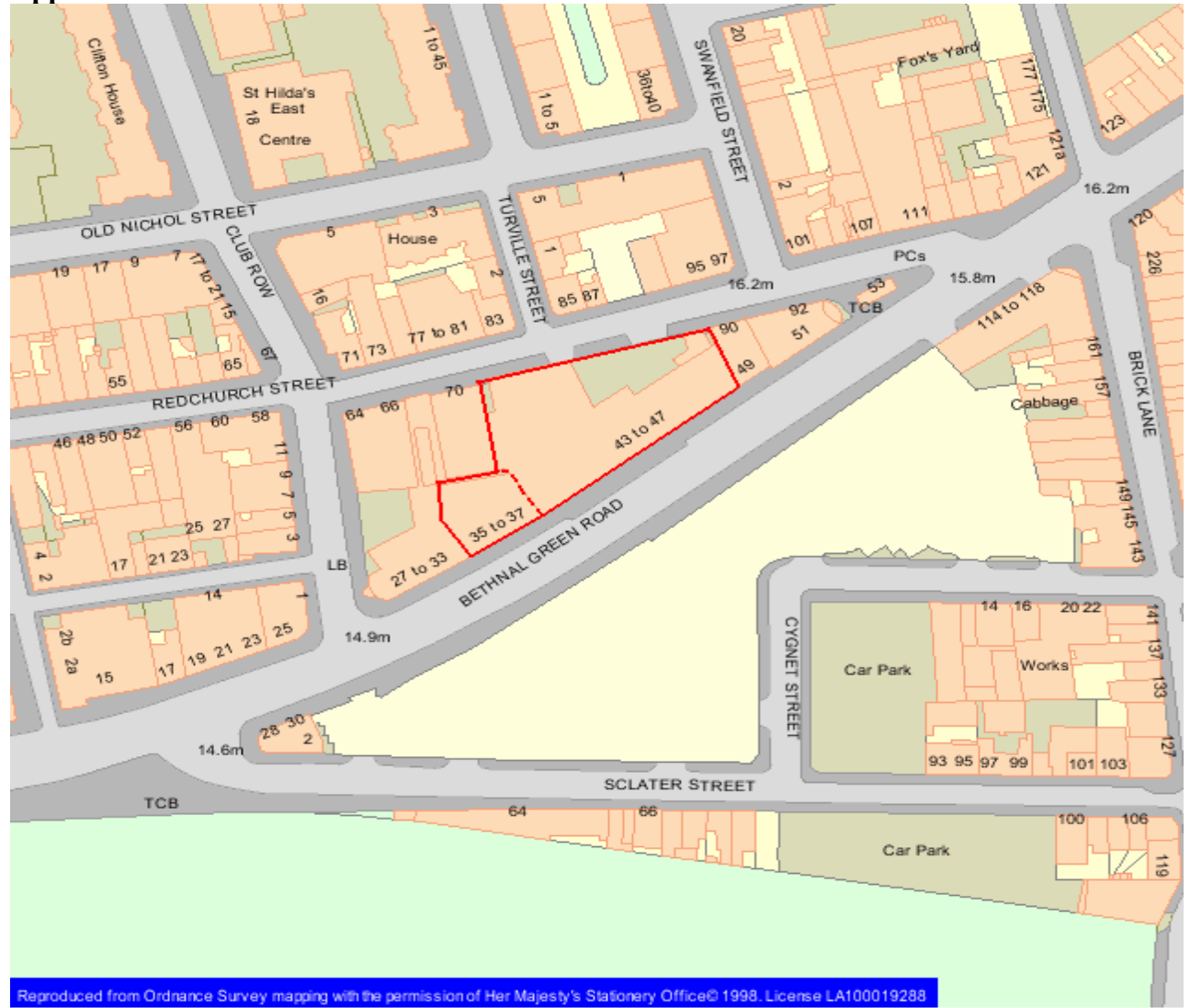
Brief description of "background papers"

Name and telephone number of holder
and address where open to inspection.

S106 agreement reference
PA/07/02193.

Development and Renewal
Town Hall Mulberry Place, 5 Clove
Crescent

Appendix 1.



Appendix 2.

Rich Mix Outline Performance Framework for S106 Assistance.

1. Option 3.

Targets Quarter 1 (April – June 2010): Triggering payment 1 (£150,000) as soon as evidence of achievement of quarter 1 targets is received and SLA signed.

- Income – Meet or exceed enterprise financial contribution target of £77,675
- Increase grant income from trusts by £20K in first quarter
- Expenditure- Foundation – reduce spend by an additional £20k over and above business Quarter 1 estimates.
- Submission of detailed business assumptions for 2010 -11 to the Council
- Successfully renegotiation of overdraft extension with the Bank

Targets to mid August (July – Aug): Triggering payment 2 (£150,000) in August 2010.

- Achieve 66% increase in young people undertaking summer learning activities in partnership with Summer University over 09/10 figure
- Meet or exceed cinema income on year to date against Business Plan income assumptions.
- Meet or exceed e-marketing target of 500 new members for Rich Mix activities
- Meet or exceed visitor target of 30, 000 visitors to Rich Mix from first season activities for arts, culture, film, education and outreach programmes.

2. Option 3 and 4

Key performance areas to

- a) Guide target development and negotiations for triggering the third payment in October (£200,000) as set out in Option 3**
- b) guide target development and negotiations for Option 4**

- 3rd and 4th quarter business targets (Option 4 only)
- Development of Community Centred Arts Programme reflecting Borough
- Development of a Robust Medium Term Business Plan
- Performance against an agreed robust medium business plan
- Financial solvency
- Formal Audited Accounts

- Achievement of ACE outcomes and delivery of an education programme to support LBTH schools and outreach work to support the LBTH community plan such as
 - Youth development,
 - Hard to reach communities,
 - Older people,
 - Promoting understanding between faith groups
 - One Tower Hamlets etc

Note: Meeting of all targets to be evidenced to the satisfaction of the Council before monies can be drawn down.

Appendix 3

By email

12 July 2010

Dear Robin

Rich Mix and S.106 payments

Thank you for our recent discussion about the progress in this matter. I would like to put on record my thanks for all the work you and your colleagues have undertaken, and to thank you for the helpful advice you have offered to me.

I am content that the performance measures you suggest are a sensible approach, and that whilst they are challenging they should be achievable. I make this judgment on the basis of the improved trading performance we have seen over the past months and some of the audience development work which is already underway.

I will wait to hear from you how you would like the reporting against outcomes to be undertaken – please let me know what format will be most useful to you

Yours sincerely

Jane Earl
Interim Director

Appendix 4.

Arts Council Funding Confirmation for 2010/11.

Ms Jane Earl
Rich Mix
35-47 Bethnal Green Road
London
E1 6LA

7 July 2010

Dear Jane

Reduction of regular funding grant in-year 2010/11

RFO Funding Agreement 2010/11

Further to Alan Davey's email of 18 June 2010, detailing how the Arts Council is implementing the £19 million cut to its 2010/11 income from government, announced by the Department for Culture Media and Sport, I am writing formally to confirm that the amount of Rich Mix's total grant is to be varied downwards by 0.5% with immediate effect.

This downward variation in your grant is effected under clause 6 of the current funding agreement we have with you. All other terms and conditions of the funding agreement remain in full force and effect.

In implementing this reduction to our budget we have tried to protect and develop art to the fullest extent possible, and to minimise the impact on regularly funded organisations. We have assumed that it will aid your planning if this reduction is taken from the final planned payment of the year in January 2011. If this is not the case, and you would prefer we make the reduction in a different way, please contact us to discuss other options.

As from 25 June 2010, your total grant and final payment are as follows:

Your former grant for 2010/11: £704,084

Your varied grant for 2010/11: £700,564

Your former final payment: £70,408

Your varied final payment: £66,888

Please acknowledge receipt of this letter in writing.

Best Wishes

Helen Bishop-Stephens

Relationship Manager, Combined Arts

Tel: 0207 973 5133 (from 10 July)

Mobile: 07872 416620

Email: helen.bishop-stephens@artscouncil.org.uk

&

Mike Brooks

Relationship Manager, Combined Arts

Tel: 0207 973 5157 (from 10 July)

Mobile: 07738 076231

Email: mike.brooks@artscouncil.org.uk

Appendix 5. Rich Mix Business Plan Summary 2010/11

Business Plan 2010/11 – 2012/13

Rich Mix Purpose and Vision

Rich Mix exists to be a place where the communities of the world who are the citizens of East London and beyond can come together to experience and make world class art and feel that it's a place where they belong.

We do this by using all the resources of the building, the skills of our staff, and those of our artistic partners and our tenants to create an integrated organisation which

- supports creative and cultural industries through the use of our **managed workspaces**, and which generates a level of income which forms the bedrock of support for our charitable objectives
- offers a **mixed arts** programme which is both **representative** of our local Tower Hamlets communities, covers all art forms, including theatre, dance, music, film and visual arts, and is **financially sustainable**
- has a programme which reaches out to **children, schools and families**, from Tower Hamlets and beyond, to give them opportunities to see and participate in a wide range of art
- Builds **partnerships with BME artists and organisations** in order to achieve our artistic aims, which include co-commissioning and providing a platform for established and emerging BME talent
- uses those parts of the building which are capable of **generating income**, such as the more commercial cinema programme, catering and spaces for hires and events to provide programmes that support Rich Mix's objectives and an additional appropriate income stream to support our charitable, cultural and community activities
- **re-invests our surpluses** in our cultural and charitable objectives

Key activities

As a result of the investment made over the past 5 years, Rich Mix is fortunate to have a building which enables a variety of activities to take place at any one time in support of the overall goals of the organisation. The flexibility of the building means that on any day we are likely to be

- housing the 22 businesses who are our tenants and who have a collective turnover of £20m
- running a commercial film programme which attracts over 80,000 people to the building each year
- managing commercial hires of the spaces to generate income, with differential fee rates for commercial businesses and for charities or other organisations with whom we are working in partnership
- Running workshops for children, young people or families

- Hosting local community activities such as the Carrom Federation practice sessions
- Running one or more arts events in the top floor theatre and studio spaces
- Hosting an event in the bar on either a free or paid for basis to encourage wider usage and awareness of the building, and to encourage those people who come for one thing to stay and try something different.

What have we achieved to date?

Rich Mix enters 2010/11 with some significant achievements over the last year including:

- The developing arts and culture programme with highlights including: nearly **20,000 tickets sold in 2009/10**, a visual arts partnership with Autograph Lounge, and artists and speakers including: Nitin Sawhney, Soweto Kinch, Stornoway, Phil Ridley, Barbara Hulanicki, Paul Gilroy and Gary Younge.
- Hosting **368 arts , cultural and education events over the year** – the equivalent of one event every day of the year
- A fantastic range of tenants in the workspaces from the creative and cultural industries, both commercial and social enterprises. Occupancy has grown to almost **93 %** and contribution to the budget is **£281,152**.
- A growing cinema business; **77,592** tickets were sold for mainstream cinema in 2009/10 with ticket sales of **£434,894**.
- Hires and events of the available space when not being used for arts and community activity, contributing **£281,231** net to the budget, and which has seen high profile bookings such as John Prescott launching his New Earth Deal from Rich Mix, Elizabeth Murdoch providing Leadership Training workshops, and conferences for Business in the Community, Sky, Channel 4 and the Guardian. Hires have also brought visitors to the centre such as Prime Minister Gordon Brown, Home Secretary Alan Johnson and Sir John Hurt.
- A growing profile with media and web based communication with the website receiving **1.2 million visits** per year and an e-flyer sent to 6000 members. The profile in the press has also grown with articles in Time Out, Metro, the Guardian and the Telegraph.
- Community engagement has developed with over **5,000 people attending educational and community events in 2009/10** and partnerships built with increasing numbers of local organisations including **Bethnal Green Collaboration Project, Little Oaks Children’s Centre, Tower Hamlets Summer Uni, CIDA, Tower Hamlets Lifelong Learning and Roald Dahl Museum**.
- Initial successes in achieving funding from trusts with a significant grant from **Garfield Weston** trust to improve the technical equipment in the Centre, to improve quality of service and to provide continuing revenue savings

What are the issues for the future?

Rich Mix still faces a number of challenges as we work to deliver the full potential

- We need to build a better and wider audience for the arts and cultural events and programme we offer
- We need to do better at reaching out to the local Tower Hamlets communities, and to make them feel that Rich Mix also belongs to them
- We need to build on our new way of operating to ensure we are financially sustainable for the future, and which resolves the serious financial issues which Rich Mix has had in the past
- We need to do better at increasing our marketing effort using our audience data better and raising awareness of what Rich Mix has to offer both the local and regional communities

How do we fund Rich Mix?

The estimated total expenditure for 2010/11 is **£2.356 m**. The funding sources and proportion of income are set out in table 1 below

Funding source	Amount	% of income
ACE	700k	29.9
Tenants income	292k	12.4
Enterprise income	1183k	50.2
Box office arts and culture events	145 k	6
miscellaneous	36k	1.5

Historically, Rich Mix has struggled to achieve income targets and to control costs in line with the budget. There was also an optimism about fund raising from public and private sources in 2009/10 which was not achieved.

The approach to grant funding has now been revised to ensure that we seek funding for activity for which the expenditure is already budgeted, and to aim to cover the core costs of the organisation, rather than increasing turnover without increasing profitability

Secondly, in the final quarter of 2009/10 action on cost reduction was taken, including

- removing loss making elements of the catering operation,
- taking savings on posts where they were vacant, or where they were not critical to the business under the difficult financial constraints,
- refocusing the marketing spend,

In addition to seeking support from ACE to draw down the initial 2010 payment as early as possible, work was also undertaken with the bank to seek their continued support to deal with the legacy of a significant amount of unpaid creditors.

Thirdly, the process of seeking grant and trust income for core costs began to bear fruit. Garfield Weston Foundation made a £50K grant available for revenue costs associated with the technical equipment management costs for Rich Mix, in addition to £100k for capital equipment. Aldgate and All Hallows Trust offered £33k in respect of some aspects of education work .

Financial plans for the future

The approach set out below in this plan for 2010/11 and for the next three years is to work towards a stable and sustainable financial position with a medium term aim to reduce the risk to Rich Mix Cultural Foundation by:

- Getting income and expenditure back into balance.
- Clearing – through payment or negotiation - the burden of overdue creditors.
- Establishing a staffing structure which is the minimum required to enable the organisation to function and to meet its charitable, cultural and community aims, and which allows the maximum flexibility to accommodate any future changes in the way Rich Mix delivers its mission.
- Improving customer service to develop repeat business and new customers, especially those from the local area.
- Ensuring that we can deliver on the agreed outcomes for which we receive ACE funding

Issues taken in to account in devising the financial and activity plan for 2010/11

- a) delivering an artistic and cultural programme which meets the aims of Rich Mix and the expectations of ACE

To achieve this at a time of significant financial difficulty, the following approaches have been agreed

- building partnerships with other arts organisations, such as the Barbican, Whitechapel Gallery, Akademi Dance Company, Tara arts and other local organisation to ensure that Rich Mix is positioned as an integral partner within the local arts and with the BAME arts world
- programming on the basis of box office splits with artistes rather than guaranteed payments, to reduce the risk to Rich Mix and to develop a better partnership approach with the artists with whom we work
- commissioning a small number of bespoke pieces of work such as those for the Bangladeshi Independence Day event, to produce some new work which is artistically interesting and likely to be of relevance to the local communities

b) developing and implementing a Fund raising strategy

One of the major failings in the 2009/10 Business plan was an unrealistic reliance on new sources of funding which were not met , and where expenditure was incurred in advance of the funding being secured. To avoid this, the following approach has been built in to the business plan for 2010/11 and onwards

- No assumption of any additional revenue funding other than that certain as at 1 April 2010 built in to the business plan
- All funding approaches to be made to cover expenditure which is already fully budgeted
- Plan to develop a membership scheme to build links with new corporate sponsors
- Responsibility for fund raising and donor relations to lie with the interim director in the short term as the post of Development officer is not included in the budget

This approach has been successful in the first quarter of 2010/11, with £83k of additional income of revenue funding being achieved to date, all expenditure in relation to which is included in the business plan. The effect of this is to increase the planned surplus on the year from £17k to £100k

c) enterprise income assumptions

The financial plan for 2010/11 requires a surplus on enterprises of £334k, compared to a surplus achieved in 2009/10 of £271k, an increase of 23%. The assumptions behind this figure have been tested and are based on the following principles

- cinema – attendance figures held steady but with a small increase in ticket price, and action to reduce costs of sale, through improved scheduling of staff, and some small income from sponsorship of tickets, together with programming of independent films being done on a box office split basis , rather than a guaranteed fee up front.
- Bar/catering – by outsourcing the café operation, the costs for Rich Mix are estimated to reduce by 23%, whilst income levels are only reduced by 11%, giving a better performance for the overall surplus as a result of lower staffing cost. Bar sales have held up well in the last quarter of 2009/10, supported by a greater number of events in the bar, and so the level of confidence that the overall surplus can be achieved in this area is high
- Events – income is planned to be 36% higher than that achieved in 2009/10. This is based on the greater availability of space to let as a result of moving a significant proportion of the arts programme to the bar area, leaving the top floor more available for sale for hires and events. The surplus is also increased by the outsourcing of the catering for hires and events of hot food, as the savings on the catering line also have an impact. Rich Mix will continue to provide directly teas/ coffees / alcohol for events, where the mark up is highest ,and will take a 15%

fee on bought in catering from our preferred suppliers. Given all these factors, the assumption of income and contribution appears to be robust .

Actions needed in 2010/11

To achieve these outcomes, the business plan for 2010/11 is split into quarters, to ensure that there is sufficient clarity about priority actions.

For each quarter, there are clear outcomes, together with the actions needed to deliver on each of them.. These are also supplemented by the tables at appendices 1 and 2 which set out the precise number of arts and culture, film and education events].

By 30 June 2010 we will:

- Work to and achieve a budget for lowest possible spend, aiming for an amount 10% below the estimated profiled income for the period, whilst continuing to provide the varied arts, culture and education programme which is the core purpose of Rich Mix.
- Explore the possibilities of a partnership with another social enterprise(s) to provide finance and marketing services, with the aim to reduce direct costs for Rich Mix, strengthen partnerships with other local organisations and maximise flexibility in the event of large scale commercialisation.
- Deliver on the income projections.
- Deliver the quality and variety of arts and education programme by seeking to do so on the basis of shared risk.

Specific projects which were completed by 31 March 2010 to enable these objectives to be achieved were:

- Agree position with bank – JR/ JE/TM
- Cement tenancy income and seek to fill the remaining 7% space - NC
- Produce an arts programme for venue 1, and Bar up to end August, with aim to increase footfall overall in the building and to share risk with promoters/ performers - OC
- Produce an education programme at broadly balanced costs and seek trust or commercial sponsorship for programme costs - TC
- Programme cinema to maximise income and hold any film festivals on a box office split basis - NA
- Seek to let a wider range of spaces for events and hires, to complement the agreed arts programme - JC
- Run a minimal catering offer where we offer a bar and coffee shop offering for the general public, and for hires and events, we continue to provide teas/ coffees/ pastries and drinks but encourage hirer to source their own catering (?on our recommendation) for food - JC/NC
- Explore the concept of a pop up restaurant or franchised coffee shop in the café area - NC/JC
- Review approaches to taking telephone and internet bookings, to manage telephones better, and increase income

- Review approach to cost control and validation of income through application of new till system, to increase income and confirm assurance levels - NC/JR

Specific actions to be completed by 30 June 2010

- Agree Board role and strategy and tactics for Rich Mix, and complete recruitment to role of Chair - JE
- Identify potential bidders for a commercialisation of the building - JE/JR
- Build partnership links with three arts organisations for joint and complementary arts programming for the autumn season - OC
- Maintain budgetary control to ensure income targets are met and expenditure levels are not exceeded - JR with support from NC
- Prepare to transfer marketing and finance functions to a social enterprise partner

By 30 September 2010 we will:

- Continue to work to the budget for lowest possible spend, aiming for an amount 10% below the estimated profiled income for the period, whilst continuing to provide the varied arts, culture and education programme which is the core purpose of Rich Mix.
- Review the budget to identify whether there is scope to release additional spend for the second half of the year dependent on income levels achieved
- Deliver on the income projections
- deliver the quality and variety of arts and education programme by seeking to do so on the basis of shared risk
- have completed the vision, strategy and tactical approach for the Rich Mix, and demonstrated the behaviours as to how the Board can individually and collectively support the organisation in practical ways

Specific projects to be completed by 30 September 2010 to enable these objectives to be achieved are:

- Continue to support tenants and tenancy income, including renewing those tenancies which have break clauses, and to consider application to ERDF for a fund to support business development and services to tenants to add value to their place in Rich Mix remaining 7% space - NC
- produce arts programme for venue 1, and Bar up to end March 2011, with aim to increase footfall overall in the building and to share risk with promoters/ performers as well as achieving co-programming or other links with national arts organisations in our locality, with an aim of looking both at programming and back office services - OC
- continue to produce education programme at broadly balanced costs and seek trust or commercial sponsorship for programme costs - TC
- continue to programme cinema to maximise income and hold festival on box office split basis - NA

- Seek to let a wider range of spaces for events and hires, to complement the agreed arts programme - JC
- Run a minimal catering offer as before supplemented by pop up restaurant, if possible to identify operators - NC
- Agree with Board approach to commercialisation and approaches to scenarios where ACE funding may or may not be available at end of RFO status - JE
- Produce a specification for bids to commercialise all or some of the building and agreed the approach with funders ,as well as the timetable for implementation , in line with the decisions of the Board- JE

By 31 December 2010 we will:

- Be delivering arts, culture, education and film programmes in partnership with other organisations, and be commissioning our own work where appropriate and where budgets allow to appeal to the local communities around us
- Have tendered for and appointed a commercial partner to run all or parts of the organisation and/or its activities for us if this is the decision of the Board
- Have established scenarios for 2011/12 onwards based on a realistic assessment of the risks of reduction in public spending support for the arts

Specific actions to have delivered these outcomes will be:

- Management of spend and income within budget - JR
- Delivery of arts and culture projects - OC/ TC/NA
- Management of process of specification and tendering - JE
- Delivered the fundraising strategy objectives, including establishing both a corporate and an individual membership scheme

Impact on staffing structure

To meet the need for Rich Mix to deliver a quality service against the core objectives, and to reflect the need to operate within known income, the staffing structure has been reviewed to ensure that the key posts for the organisation can be funded. The result of this has been to reduce the **monthly paid staff** bill by 21% on 2009/10 levels, and to make a small reduction of 2% on weekly paid staff who deliver the bulk of the customer facing services.

The staffing structure has removed a number of posts (a reduction from 26 to 15 posts) . Some of the work previously done by the posts which are no longer in the staffing structure has been redirected to the weekly paid staff, and there is an increased use of interns and support for posts through the Future jobs fund

The posts retained in the structure are

2010/11 post	cost	comments
Director	£61100	Currently vacant
Technical manager	£33201	
Odd job person	£8300	Will need local recruitment of someone who can do practical; maintenance
Duty Mangers	£71602	Increase from 3 to 4 casual duty managers
Box Office Manager (currently vacant)	£19178	Need to recruit with plan to improve management of box office, different approach to telephones
Marketing Manager	£33203	Consider moving marketing to an outside organisation and use programmers to commission what is needed with less emphasis on expensive print
Marketing assistant	£22540	
Admin assistant	£15074	Revise role to make half time admin and half time P.A.
Film Programmer	£34706	
Education programmer	£34704	
Arts and cultural programmer	£33200	Slight increase in salary
Events Manager	£34647	
Events assistant (0.6)	£8752	
Head of Enterprises	£45607	
Head of Finance	£55525	Seek to outsource finance functions to another social enterprise
Finance	£28297	

admin		
Finance assistant	£16646	
TOTAL	£514027	

The other major spend for Rich Mix on staff is the **4 weekly paid staff**. The original budget model for 2008/9 suggested a much lower spend that has been achieved.

Closing the café and terminating contracts for some casual staff has already been done, which will save £24,000 per year. The drive in 2010/11 will be to up skill the casual staff and recruit to the pool of available staff those with greater flexibility to deliver the quality of service Rich Mix needs to be able to offer if we are to maximise income and encourage people to treat Rich Mix as their own venue and one to which they will want to return

Risks

In developing the plan for 2010/11 there has been a recognition of the high levels of uncertainty about the direction of policy on arts and culture and the resulting impact on public and private spending levels

In establishing risks, we have reviewed those areas which are under our direct control and then gone on to look at those where the wider political or economic climate may impact. In categorising them as High, medium or low, we have looked at both the likelihood of the risk materialising and the impact if it were to do so.

Our mitigation actions are as far as possible built in to our normal practices for managing the business to ensure that risk management becomes an integral part of the way we do business , rather than a separate activity.

Risk	Level of Risk	Mitigation Action
Failure to meet income levels from enterprises activity	medium	Active monitoring and accountability for staff to deliver on the income projections as well as to control costs
Tenants income falls	low	Most tenancies fixed for next year and waiting list of interested tenants maintained
ACE withdraw all funding in year	low	Keep in close contact with ACE to ensure that they are fully aware of the financial position of Rich Mix

		and the remedial actions being taken
ACE reduce funding in year in light of public funding constraints on their budget	Medium/high	Continue to help ACE lobby for no” in year “savings by providing detail of impact of such a move Ensure that approach to paying artists maintains maximum flexibility in terms of committed finance
ACE identify no or reduced funding after 2011	medium	Deliver on the arts programme for the current year. And maintain links to understand likely priorities of ACE post General Election. Further exploration of the potential solutions are set out below
Not possible to find partners for finance and marketing functions	medium	Review existing structures and ensure value for money achieved
Not possible to find a commercial model which protects arts and cultural mission	Medium	key risk is the trade off between the amount of contribution a partner will make as a result of having the opportunity to run the building compared to the amount of surplus Rich Mix could generate . Risk will only become clear once the exploration of a partnership begins. But mitigation action is that Rich Mix could continue to deliver service directly in the event of no suitable partner being found

Business plan assumptions for 2011 onwards

Planning in detail for the period beyond 2011 is predicated on the need to ensure short and medium term stability for Rich Mix. As detailed above the assumptions for the longer term have been couched in the context of an uncertain political environment, and assumed significant reductions on public spending whichever political party is in power.

The area in which this might affect Rich Mix most is in respect of the potential for continued funding support from the Arts Council for England (ACE).

Rich Mix has had three year funding from ACE as a Regularly Funded Organisation (RFO). Currently, 45% of net income (or 29% of gross income) comes from ACE. This three year funding began in 2008, and partly came about after a range of discussions between Rich Mix, ACE , the London Development Agency and LB Tower Hamlets, from which the LDA agreed to fund the remainder of the fit out of Rich Mix, but on the understanding that both ACE and LBTH would also continue to support Rich Mix to enable it to achieve its full potential. LBTH support was agreed at the time to be by means of s 106 payments from a nearby development site , whilst ACE agreed to consider, and subsequently offered a three year funding agreement, subject to the achievement of a number of artistic outcomes.

The ACE funding has been subject to a grant agreement with clearly defined outputs and outcomes, which have in the main been achieved by Rich Mix, and in the process the organisation has enjoyed significant advice and support from ACE. We believe that this developing relationship will be of assistance in the next round of negotiation for RFO status for the next three years.

Our current information from ACE is that there may be a one year extension process of RFO status against a further set of outcomes. The level of support will be dependent on the level of funding available to ACE and the way in which they choose to allocate the funds they have available.

Rich Mix will continue to make the strongest possible case for funding from ACE in order to be able to continue to deliver the arts, cultural and community programming which has been built over the past year. The planning and preparation process will involve a full examination of the cost base of Rich Mix to identify how the core costs of running the building are met from the known exiting income, and to ensure that there are robust plans in place to meet any scenarios which may arise.

As an indicative framework for understanding the cost base of Rich Mix ,we have established the following parameters

Activity and cost	Funded from	Certainty level
Opening the building – running costs of utilities/ insurance etc - £280k	Tenancy income – estimated at £292K	High – 95% occupancy and 100% renewal rate for

		tenancies coming up for renewal to date
Staffing and direct costs for enterprises to run cinema/events/bar - £825K	funded from enterprise income – estimated at £1183K	Reasonably secure – income in 09/10 was £1063K and trend data is showing an increase in income levels
Overhead of marketing/governance/fund raising - £ 300k	Funded from surplus on enterprises and CSR or other sponsorship Currently funded from ACE grant	Insecure – unless long term partner found to fund these aspects of work
Arts/ culture /education programming – direct costs variable dependent on ACE and LBTH income-current business plan set at £240K but should be considerably higher if we are to properly meet our mission. But can be scaled up or down dependent on funding plus salary costs of programmers - and marketing costs – estimate of £200K	Some box office income to defray costs – business plan assumption is £145K ACE grant income?	Reasonably secure – trend of audience and sales has been increasing ,and increased number of events will help to cement these income levels Grant income uncertain- but key is not to commit spend until grant levels are known
New work – commissions and community outreach. No budgeted cost in the business plan at this stage	ACE/ LBTH/ Other funding sources	Not known

The Board have agreed that a range of potential business models for the running of Rich Mix should be explored. These include

Scenario 1

As at present – Rich Mix Foundation and Rich Mix Enterprises remain in the same ownership, with Enterprises required to make a contribution of approximately £400k per year to the overall costs of the charity to enable the delivery of an arts and community outreach programme and have some flexibility to transfer profits from Enterprises into Foundation, as well as to share some Foundation costs with Enterprises

Scenario 2

Slim down to a core arts and culture charity which retains the right to use spaces in Rich Mix for arts and cultural activities, and which receives a cash

sum from a commercial- possible social enterprise - partner or partners who would be responsible for running all aspects of the building. This model might be characterised as a charity sitting on top of- and receiving the profits/ fees from- a separate trading entity

Scenario 3

Continue to run as now but to contract out the management and delivery of some key income generating activities, such as the management of the cinema and the management of catering, and to contract out functions such as marketing and finance