

Assessment of External Financial Request – Kilmartin Museum

1.0 EXECUTIVE SUMMARY

1. A request has been received from Kilmartin Museum for £400,000 to support the capital costs of the proposed extension of the Museum. This funding, if approved, will help to match fund a planned stage one application to Heritage Lottery Fund (HLF). The stage 1 HLF application is scheduled for submission by Kilmartin Museum on 9th April 2015 and the Trust are in the process of finalising the bid. This is the second stage one bid submitted to HLF. The initial bid last year was unsuccessful with only one 'Scottish project being successful in that round. However the Trust was encouraged to make a revised submission on the strength of their original bid subject to the project and associated costs being scoped back, the request to HLF reduced and a demonstration of local funding support. A potential contribution from the Council would assist in strengthening their application.
- 1.2 Kilmartin Museum (KM) is established as a successful museum where internationally and locally important artefacts are curated, interpreted and displayed. Owned and managed by the Kilmartin House Trust, the museum opened in 1997 and has since earned recognition for endeavours in archaeology and landscape interpretation, investigations, heritage and cultural activity. However, the trust considers that the facility needs to expand and evolve into a more efficient museum or decline. The aim is for a complete redevelopment and expansion of the museum to not only ensure its survival, but to grow as a key cultural visitor and archaeology centre for Argyll and Bute.
2. The aim of the proposed project is for the redevelopment and expansion of the museum which will:
 - Facilitate growth of the established cultural hub and visitor attraction.
 - § Provide a new gallery to host a variety of internationally important artefacts.
 - Create an educational centre of archaeological excellence.
- 1.3 Specific benefits arising from the project include;

- Sustaining 7 full time jobs, 5 part time jobs, 20 seasonal jobs and 40 volunteering opportunities.
- Creating 2 full time jobs in the Trust and an estimated 3 in the trading company.
- Protecting local supply contracts with local contractors.
- Providing training opportunities by creating a 'centre of excellence' for archaeology
- An increase in visitor numbers to the area and the site
- Providing educational opportunities to young people by working with all the schools in Argyll and Bute and potentially beyond. The aim would be to develop this as an outreach campus facility for universities that would then also bring students into the area and the associated local economic benefit from that.

1.4 An initial assessment has been undertaken to consider the policy impact, governance issues, financial issues and deliverability / risk issues. It is important to remember in considering this project that it is still at a very early stage in its development and the critical stage will be securing the stage 1 HLF approval which will then lead on to a 12 – 24 month development phase before a stage 2 HLF bid will require to be submitted and approval secured. If the application is successful following the submission on 9th April 2015 a stage 2 bid would go forward for consideration sometime between late 2016 and mid 2017 with a potential start on site early in 2018. Therefore whilst an initial assessment has been made of the project it is based on the available information at this early stage in its development. A business plan has been prepared and provided by the Trust but again reflects the early stage of the project and further work will require to be done as the project progresses, assuming stage 1 HLF approval is secured. The copy of the business plan is available for members of the Policy and Resources Committee in the member's room

Recommendations

- That Members note the initial assessment of the project and associated business plan by officers.
- That Members agree to support in principle the request for a maximum of £400,000 subject to
 - i) a successful stage 1 application to HLF
 - ii) a further detailed assessment of the Full Business Case as set out in the report entitled "Request for Grant Funding" also before this committee, in advance of the stage 2 submission to HLF and that this business case fully meets the Council's own criteria
 - iii) the release of any monies being reliant upon a fully approved, deliverable and fully funded project being in place.

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2.0 INTRODUCTION

- 2.1 A request has been received from Kilmartin Museum for £400,000 to support the capital costs of the proposed extension of the Museum. This funding, if approved, will help to match fund a planned stage one application to Heritage Lottery Fund (HLF). The stage 1 HLF application is scheduled for submission by Kilmartin Museum on 9th April 2015 and the Trust are in the process of finalising the bid.
- 2.2 Kilmartin Museum (KM) is established as a successful museum where internationally and locally important artefacts are curated, interpreted and displayed. Owned and managed by the Kilmartin House Trust, the museum opened in 1997 and has since earned recognition for endeavours in archaeology and landscape interpretation, investigations, heritage and cultural activity.
- 2.3 A Service Level Agreement (SLA) is currently in place between the Council and the Trust in regard to the provision of a curator and storage service for the Council's archaeological, natural history, social history and fine art collection across Argyll and Bute with the main collection being displayed in Campbeltown Museum. This has ensured that local artefacts, many of which are of national and international importance, are properly cared for and retained within Argyll and Bute for current and future generations.
- 2.4 The request has undergone an initial assessed and the findings are set out below.

3.0 RECOMMENDATIONS

- 3.1 That Members note the assessment of the project and associated business plan by officers.
- 3.2 That Members agree to support in principle the request for a maximum of £400,000 subject to
- iv) a successful stage 1 application to HLF

- v) a further detailed assessment of the Full Business Case as set out in the report entitled “Request for Grant Funding” also before this committee, in advance of the stage 2 submission to HLF and that this business case fully meets the Council’s own criteria
- vi) the release of any monies being reliant upon a fully approved, deliverable and fully funded project being in place.

4.0 DETAILS

- 4.1 In recent years the Kilmartin House Trust has come to the view that the Museum has outgrown the buildings that it currently occupies and that there is a need for the museum to expand and develop the offering. The Trust has advised that the current situation is unsustainable due to the inability to store and manage important collections and artefacts in inappropriate and cramped facilities. In addition costs are rising beyond the level of the income mostly due to poor and old building infrastructure and without additional income in the next few years there is a real risk that the museum will close.
- 4.2 The redevelopment will provide considerably more space to allow the Museum to better curate its expanding collection and ensure that people are able to access and enjoy it surrounded by the landscape and monuments where the artefacts were discovered.
- 4.3 The aim of the current project is for a complete redevelopment and expansion of the museum to not only ensure its survival, but to ensure its growth as a key cultural visitor and archaeology centre for Argyll and Bute. The objectives are as follows;
- Growth of established cultural hub and visitor attraction of regional and national significance
 - New gallery to host a variety of internationally important artefacts and temporary exhibitions working with local artists and organisations such as the National Galleries of Scotland.
 - Educational centre of archaeological excellence. This would provide educational opportunities to young people by working with all the schools in Argyll and Bute and potentially beyond The current links with Argyll college and UHI, defined through a minute of understanding, to develop education opportunities such as field schools for students, will be strengthened and developed. In addition links beyond Argyll with other universities could see students coming into the area to study.
- 4.4 The Museum’s intention is to enhance the depth and breadth of the interpretative and learning experience for existing audiences, and new audiences will be developed so that they too may experience, understand and be inspired by this special place. Links between the artefacts and the landscape in which they were created, used and excavated will be forged to create a seamless and holistic interpretation which transcends the traditional bounds of the Museum. The objective of the project is to secure the financial and environmental sustainability of the organisation by delivering excellent visitor facilities in an environmentally friendly

building that is fit for purpose and delivers maximum economic benefit into the Argyll economy from this nationally important landscape within which it sits.

4.5 Specific benefits arising from the project which will contribute to economic growth both locally and further afield are;

- Sustaining 7 full time jobs, 5 part time jobs, 20 seasonal jobs and 40 volunteering opportunities.
- Creating 2 full time jobs in the Trust and an estimated 3 in the trading company.
- Ensuring that locally important artefacts, often of national and international importance, are housed in a facility that ensures their protection, attracts visitors to the area to view them and ensures that they are not lost to Argyll and Bute for current and future generations
- Protecting local supply contracts with local contractors.
- Providing training opportunities by creating a 'centre of excellence' for archaeology in partnership with Universities, Argyll College and other partners. This would build upon Kilmartin's important position as Scotland's most important mainland archaeological landscape in the opinion of Dr David Clarke (retired), former keeper of archaeology at the national museums of Scotland. and could create learning opportunities for up to 20 students per annum from across the whole of Argyll, not just mid Argyll.
- An increase in visitor numbers to the area and the site (museum, café, shop, archaeological sites) from 28,000 per annum (10,000 of which are to the museum) to 40,000 per annum (22,000 to the museum itself) with a resultant increase in local spend.
- Providing educational opportunities to young people by working with all the schools in Argyll and Bute and potentially beyond.

4.6 Kilmartin Museum has requested support from the Council for the project and has asked for £400,000 of funding support towards the capital cost of the project. This potential contribution from the Council would strengthen their application to HLF.

4.7 The Council has previously awarded £19,000 towards the development of the stage 1 HLF bid which was submitted in December 2013. In addition the Council has also approved the funding of £50,000 specifically towards the development costs of taking the project from the stage one to stage two HLF bid. The Trust are in the process of submitting a stage one bid to HLF, deadline 9th April and have requested a funding contribution of £400,000 from the Council towards the capital cost of the project. This is the second stage one bid submitted to HLF. The initial bid last year was unsuccessful with only one 'Scottish project being successful in that round. However the Trust was encouraged to make a revised submission on the strength of their original bid subject to the project and associated costs being scoped back and the request to HLF reduced. HLF recognise as key strengths the international importance of the area's archaeological heritage, the educational and cultural role of the museum and the unique quality tourism offer.

4.8 The Trust has been working on a revised bid which is based on scaling back the more ambitious aspects of the proposal and limiting the level of financial contribution required from HLF to 50%. Over the last 6 months the Trust has been working on delivering an achievable project, working alongside key partners

including Scottish Natural Heritage(SNH), Historic Scotland(HS), Highlands and Islands Enterprise(HIE), Forestry Commission(FC) and the Council to investigate potential support including funding. Many of these funders already work closely with the Trust and the Museum and provide core funding to them for the delivery of education, interpretation and outreach projects linked to this nationally important archaeological landscape. As previously stated the Trust also provides a curator service on behalf of the Council, across the area, as well as providing storage facilities for many of the Council's artefacts. The Trust now feels that they have a stronger bid and it is their intention to resubmit to HLF in April 2015.

4.9 An assessment has been undertaken to consider the policy impact, governance issues, financial issues and deliverability / risk issues and are detailed below. It is important to remember when considering this project that it is still at a very early stage in its development and the critical stage will be securing the stage 1 HLF approval which will then lead on to a 12 – 24 month development phase before a stage 2 HLF bid will require to be submitted and approval secured. If the application is successful following the submission on 9th April a stage 2 bid would go forward for consideration anytime between late 2016 and mid 2017 with a potential start on site early 2018. A business case has been prepared and provided by the Trust but again reflects the early stage of the project and further work will require to be done as the project progressing, assuming stage 1 HLF approval is secured. Therefore whilst an initial assessment has been made of the project it is based on the available information at this early stage in its development. Further more detailed assessments will need to be made as the project continues to develop if the Council is minded to provide financial support.

Policy impact

4.10 The project meets the following objectives of the Single Outcome Agreement:

- A diverse and thriving economy
- Infrastructure that supports sustainable growth
- Education, skills and training maximises opportunities for all
Children and young people have the best possible start through the provision of education and outreach facilities create learning opportunities for children and young people across the whole of Argyll, not just mid Argyll.
- People live in safer and stronger communities. The project will contribute to this by creating a first class cultural hub and visitor attraction of regional and national significance that will attract people from across and beyond the area, will grow the local economy and community and contribute to the setting of this unique landscape

4.11 The project also develops specific important elements of the Economic Development Action Plan 2013 – 2018;

Creating a Compelling Argyll and Bute by;

- sustaining and increasing employment by developing successful businesses
- developing economic opportunities linked to tourism, increasing visitor numbers, visitor spend and length of stay

- protecting and promoting the area's cultural, social and natural heritage by ensuring the retention of local artefacts of a national and international importance remain in the area in a building that it fit for purpose
- using the environment to create employment and prosperity and creating a centre of excellence for archaeology based on the nationally important archaeological landscape that surrounds the museum
- protecting the unique characteristics of the area celebrating our diverse culture and ensuring that these internationally important artefacts remain in the area for the benefit for future generations and are accessible to those wishing to view them and learn about them

Governance

4.12 The governance of the Kilmartin Museum is provided by the Trustees.

The Trustees are:

- Mr Gordon Gray Stephens (Chair)
- Professor William
- Allan Hamilton (Vice Chair)
- Dr Ewan Campbell
- Mr Charles Neal Ascherson
- Mr David Edward Murray
- Dr Sally Foster
- Mr Alexander Smith Taylor
- Mrs Ruth Knox (Treasurer)
- Mr Timothy Lister

4.13 The trustees have fully discussed the proposal and have given their formal approval to it and their Trust Deed gives them the powers to undertake a project of this nature.

4.14 In addition the project is overseen by a Development Advisory Panel which has been given specific responsibility to manage the project on behalf of the Trustees. The Panel advises the Museum Trustees and meets monthly. The members of the Development Advisory Panel are as follows:

- Professor David Green (Chair)
- Mrs Jan Brown
- Mr Paul Smyth
- Mrs Jane Robinson
- Mr James McLellan

4.15 The Trust understands the importance of the project and has taken the necessary steps to ensure it is managed appropriately. A sub group of the Trust will be set up to manage the project delivery with an experienced project manager being appointed at the next stage. There are therefore adequate systems and skills in place to oversee the project as it moves forward through the detailed HLF application process.

Financial impact

4.16 The total cost of the project can be broken down as follows;

Development phase (post HLF 1 stage approval) - £485,000.

The Council have already committed £50,000 towards this cost
The remainder will be funded by HIE (£26,000) and HLF (£409,000)

Delivery phase (post HLF 2 stage approval) - £5,515,000.

The Funding breakdown for the delivery phase is as follows;

HLF	£2,591,000 (9 April HLF funding round)
ABC	£ 400,000 (under consideration)
HIE	£ 400,000 (under consideration)
SNH	£ 150,000 (under consideration)
Historic Scotland (HS)	£ 50,000 (under consideration)
Forestry Commission (FC)	£ 80,000 (under consideration)
Leader	£ 70,000 (to be applied for once new programme open, development monies previously granted)
Museum Gallery Scotland	£ 50,000 (discussions on going and application will be made to future funding round to align with spend profile and drawn down deadline)
Creative Scotland	£100,000 (ongoing discussions and application will be made to future funding round to align with spend profile and draw down period)
Trusts/Foundation	£464,000 (£50,000 confirmed and applications will be made during the development period)
Private donations	£560,000 (£50,000 confirmed and fund raising campaign will commence during development phase in line with fund raising strategy)
Additional Fund raising (possible RCGF bid or other funding sources)	£600,000

4.17 In considering the above the following should be borne in mind;

4.17.1 The trust, in working with HIE, appointed a consultant to develop a funding strategy. This examines all the funding options available and in particular includes potential trusts and foundations from which funding could be sought and also includes a fund raising campaign to address the issue of how best to secure private donations. The funding strategy includes the need to continually review the funding position and any resulting shortfall that may

arise as a result of unsuccessful applications. This will ensure that all opportunities for funding are considered and the opportunities for these to be realistically met from trusts, private donations and other potential external funding sources continually investigated.

- 4.172 The trust already has a SLA in place with a number of the proposed funding bodies for the provision of the delivery of services such as education and outreach. These include SNH, FC and HS, These funders are currently considering the requests before them. Other funders such as HIE, Leader and the Council have provided funding for the early development phase of the project.
- 4.173 The trust has appointed a reputable design team headed by Reiach and Hall Architects. The costings have been produced by the design team's quantity surveyor against drawings and specifications which are detailed and robust. Due allowance has been included for tender inflation and the costs can therefore be considered as robust at this stage although it is important to note that the project is still at an early stage and the costs will continue to be examined and reviewed to ensure that these remain realistic and deliverable as the project progresses through the development phase.
- 4.17.4 It is anticipated that the two stage HLF application process will be concluded by September 2017 with formal permission to commence the delivery phase in January 2018. The delivery phase is anticipated to take approximately 18 months. The funds identified above, including the Council's contribution, will therefore not be required until after January 2018. In the circumstances it is therefore not unusual for a number of funding streams to yet be confirmed. Detailed applications will have to be made and delivered by the Trust during the HLF timeframe and will need to align with the various drawn down timeframes of each funder.
- 4.17.5 A detailed business plan has been produced by Jura Consultants for the Trust to submit to HLF as part of their application process. This is a comprehensive document which looks closely at the existing facility, its associated running costs and ability of the building to meet the needs both now and in the future. The evidence provided demonstrates that the building is not fit for purpose and that both from a financial and practical business point of view the current situation is not sustainable. The business plan supports the Trust's application to HLF for the need for the investment into the project to allow the business to grow. It does have to be remembered that the project is still at an early stage and therefore the business case is based on the current information available.
- 4.17.6 The Council will continue to work with the Trust to assist in identifying potential alternative funding options that could help in the delivery of the shortfall. One future option could be to lead a partnership bid to a future round of the Scottish Government's Regeneration Capital Grant Fund post 2015. However it is unclear at this stage if there will be any such future rounds. To date the Council has been successful in delivering almost £1M from this fund for projects at Rothesay Pavilion and Dunoon Pier.

4.17.7 The Council could also consider assisting the Trust with their decanting plans which are costed at £84,000 and involve the use of portakabins. If a cheaper alternative could be identified it would help the overall financial picture.

Deliverability

4.18 Points to be considered;

A detailed business plan is in place which clearly sets out the business case. The Trust have appointed an experienced and reputable design team, Project costings are as robust as they can be at this stage. A strategic funding plan has been identified. A sub group of the Trust will be set up to manage the project delivery with an experienced project manager being appointed at the next stage.

Risks

4.19 The Trust and their design team have produced a comprehensive risk register which addresses key areas of risk. This considers potential cost, funding and programming problems and seeks to mitigate these in ways that are normal for capital projects of this nature. As a consequence appropriate levels of contingency and tender inflation allowances have been included and HLF will expect to see this as part of their assessment process. These will need to be continually reviewed as the project progresses.

4.20 It is important to note that the project still has a significant development route to follow and the associated timeline for the development of the stage two HLF bid, assuming a successful stage one bid is 12-24 months. The biggest risk at this stage for the project is that their stage 1 HLF application is not approved at this second consideration of the project. In addition are a number of risks that need to be considered at this stage in regard to the financial request itself but also in regard to the wider risks.

- There still remains however a large funding gap for the Trust to find and this may put the project at greater risk from the point of view of both securing HLF funding and also in delivery. It is important to point out however that the Trust does have a good track record of fund raising and the project is still at a very early stage and it is normal at this stage for a lot of the funding to still be confirmed.
- This is a significant scale of project and the capacity of the organisation to deliver is critical. Funding has been included in the project to allow for a project manager to be employed, and a design team and other key skilled individuals to support the delivery of the project. The Trust has already gone through a lengthy process to get to this stage and have employed professionals to look at the design, costs and risks associated with the project.

4.21 The wider risk which would have an economic impact on the area if the project does not go ahead is that the Museum may close as the Trust feel that the current situation is unsustainable due to the inability to store and manage important collections and artefacts in inappropriate and cramped facilities (as they currently

exist). In addition running costs are rising beyond the level of income primarily due to the age of the building and associated old and poor infrastructure. The constraint of the building in regard to space affects the ability to generate more income. The closure of the museum would result in the loss of 7 full time jobs, 5 part time jobs and 40 volunteering opportunities. This would have a serious knock-on effect into the local economy. In addition nationally important artefacts would be lost to the area as these would be transferred to the National Museum of Scotland in Edinburgh. An internationally important visitor attraction would be lost to the area and all the resulting benefits from such a facility. The Council's archaeological service would be seriously affected as the Museum currently operates a service level agreement to curate our archaeology collection in Campbeltown Museum. This SLA would fall and we would then have to assume direct management of the collections.

Options

4.22 The options for the Council at this stage are

4.22.1 To decline the request for funding support and instruct officers to write to the Museum and Trust informing them of the decision.

4.22.2 To support the request for funding in principle subject to

vii) a successful stage 1 application to HLF

viii) a further detailed assessment of the Full Business Case as set out in the report entitled "Request for Grant Funding" also before this committee, in advance of the stage 2 submission to HLF. and that this business case fully meets the Council's own criteria

ix) the release of any monies being reliant upon a fully approved, deliverable and fully funded project being in place.

4.23 If members are minded to support the project it is proposed that this expenditure is treated as capital and provision made from within the capital programme for 2018/19.

5.0 CONCLUSION

5.1 An initial review of the project has been undertaken and has been detailed above. There are challenges for the Trust in developing a project of this size and magnitude and the biggest challenge for them at this time is undoubtedly assembling and securing a funding package that can deliver their vision. The approval of the HLF funding will be critical to determining if the project can move forward to the more detailed development stage. Funding support from the Council will assist in making the funding package more robust. There is no doubt that the offering is unique and the fact that the museum sits in Scotland premier mainland archaeological landscape, offers significant opportunities to a museum where internationally and locally important artefacts are curated, interpreted and displayed. The project will deliver a complete redevelopment and expansion of Kilmartin Museum to not only ensure its survival, but to grow as a key cultural visitor and archaeology centre for Argyll and Bute.

6.0 IMPLICATIONS

6.1	Policy	<p>Within the Single Outcome Agreement is an outcome for a diverse and thriving economy with ambitions to reposition the Argyll and Bute tourism product and profile</p> <p>Within the Corporate Plan, a strategic objective is promoting our cultural, social and natural heritage and protecting our unique area.</p> <p>Within the Economic Development Action Plan a key outcome is to move the tourism industry up the value chain, extend the season and improve its profile and propositions</p>
6.2	Financial	<p>The capital request for funding would not need to be available for draw down until after the stage 2 bid, likely submission for stage 2 is 2017 and once approved the project would be over a two year delivery period. £50, 000 has already been allocated to the project following a stage 1 HLF pass that has yet to be achieved. This expenditure could be treated as capital and provision made from within the capital programme for 2018/19.</p>
6.3	Legal	None
6.4	HR	None
6.5	Equalities	None
6.6	Risk	An assessment of risk is set out in paragraphs 4.19 to 4.21 above
6.7	Customer Services	None

Executive Director of Development and Infrastructure
February 2015

For further information contact: Audrey Martin 01546 604180

APPENDICES

The copy of the Business Plan is available for member's of the Policy and Resources Committee in the members room