REPORT BY CHIEF EXECUTIVE and DIRECTOR OF NEIGHBOURHOOD SERVICES

ABSTRACT: This report deals with a request from the National Trust for Scotland to enter into a partnership agreement with Angus Council to continue the operation of Barry Mill as a working mill and visitor attraction.

1. RECOMMENDATION

1.1 It is recommended that the Council:

(i) Enter into a 3 year partnership with the National Trust to provide funding to underwrite the deficit on operation of the mill to a maximum of 50% of the losses or £15,000 per annum, whichever is the less.

(ii) Provide support in kind to assist the friends organisation with marketing, improving displays and the development of the mill pond and surrounding countryside as a further visitor attraction, all within existing resources offered to voluntary groups.

2. BACKGROUND

2.1 After contact from the National Trust for Scotland (NTS) meetings were held by officers and elected members with representatives of the Trust. They gave an outline of the financial position of the Trust and how for a number of years the charity's operating account has been in year on year deficit with its overall value gradually diminishing. It has now come to the point, hastened by the recession, that the NTS Board requires measures to be taken to halt and reverse this trend. The budget for this year, which normally would have been approved by the Board in December has only recently been agreed and requires the organisation to produce a modest surplus with an expectation that increased surpluses will be the norm from there on.

2.2 Such a shift from the previous year’s losses cannot be achieved without significant cost savings and changes in the management of the NTS portfolio of properties. NTS income comes chiefly from its membership subscriptions, trading at the visited properties, and legacies and donations. Few properties have full endowment funds and Barry Mill is no exception. Whilst it has a minor endowment this only produces income of some £6k per annum. The capital cannot be realised.

2.3 All of these income sources are under pressure due to the wider economic climate. On the other hand over 50% of the costs are for permanent and seasonal staff. The new budget assumes significant reductions in permanent staffing compliment with the equivalent of 91 full time posts to be lost, representing a 20% reduction. These job losses will cut across all levels and departments, but about half will impact on the Properties & Visitor Services function. Further savings to seasonal wages will have an impact on many more people with again some redundancies but also reductions in contracted hours.

2.4 The NTS Board has also confirmed proposals to close or alter operations at a number of its properties across the country. A complete analysis of all the Trust's visited properties was made and recommendations made to the board on the basis of those with the largest deficits related to relatively small visitor numbers but bearing in mind the importance of the property both to the nation and to the local economy.

2.5 Along with NTS properties at House of Dun, Barrie's Birthplace and the Angus Folk Museum, NTS does have a significant presence in Angus and it feels there is much to be gained from working more closely together. NTS also operates the Camera Obscura in Kirriemuir on behalf of the council and is keen to explore further joint working on that site.
2.6 NTS, as was explained, has partnership relationships with a number of local authorities, many of these are long-standing and have proven to be effective in the long-term with mutual benefits for each organisation. NTS would be keen to explore such a partnership with Angus Council on the basis of concentrating our efforts at Barry Mill. The other Angus properties do not operate at the same level of deficit and are not subject to the same threat of closure as Barry Mill, at present. However, the shop at House of Dun is closing and some seasonal staff are having their hours reduced in an attempt to reduce the deficit.

3. **CURRENT POSITION**

3.1 Of particular importance is the uniqueness of Barry Mill, now the only working watermill under load in Scotland.

3.2 The budget summary for this year with a comparison to last years figures is attached. NTS has made efforts to reduce the deficit but it still amounts to just over £30,000 of a loss per year.

3.3 The bulk of the loss is equivalent to the staff costs of keeping the mill running as an effective, unique working corn mill. This cannot be done without a miller as these skills and knowledge are essential.

3.4 The main cost at Barry Mill is the employment of the miller and he has now been served with his 90 day redundancy notice. The NTS have also declared its intention to close and mothball the mill should an alternative source of funding not be forthcoming. This would take effect before the expiry of the redundancy notice to allow the miller time to mothball the machinery

3.5 At a public meeting over 70 individuals turned up to voice their support for retention of the mill, and a Friends of Barry Mill has been formed. Many other NTS properties have such Friends Groups. NTS has made clear that any funds raised by a friends organisation should be devoted to “extras” at the mill and not subsumed into the base budget as it cannot be guaranteed.

3.6 However, NTS has indicated that there is a potential source of match funding from a 3rd party trust which their board is keen to apply to Barry Mill but that could only be viable if there is a guaranteed source of longer term money from the Council.

3.7 There has also been discussion on the benefits of joint marketing and again NTS would be keen to discuss this further with relevant Council staff, and in particular, discuss the increased educational use of the mill by school parties.

3.8 There are, by agreement, only 3 options:

i. Continue the planned rundown and mothball the mill. Whilst the Trust is not considering its disposal, it is agreed that once closed it will never work again. The nature of the wooden machinery and the site would mean that recommissioning would require massive capital investment akin to the original restoration.

ii. Cease live milling and replace with interactive displays. The Trust feels that the limited market at present is only there due to the “live” mill working. It is agreed that this would severely limit the attraction and is likely to lead to its ultimate demise.

iii. Enter a 3 year partnership deal with the Trust with the Council agreeing to underwrite the deficit to a maximum of 50% of the loss or £15000 per annum, whichever is less.

3.9 The Council would also assist the friends with marketing, improving displays and the development of the mill pond and surrounding countryside for further visitor attractions, all within existing resource offered to voluntary groups.

3.10 It is emphasised that the purpose of any partnership deal is to provide an opportunity to grow visitor numbers to provide an opportunity to allow the mill to contribute to economic growth by allowing it to become a greater tourist attraction than it currently appears to be.

3.11 Current visitor numbers of approximately 2,000 per annum do not offer a sustainable case for long term support but do provide an opportunity for development in conjunction with partners.

3.12 If option 3 above is agreed, visitor numbers would be monitored with a view to a further report before the end of the three year development period.
4. FINANCIAL IMPLICATIONS

4.1 The potential for Council funding being provided in order to enable the Mill to remain open needs to be considered in the context of the Council’s other corporate priorities and in particular the expectation of severe financial constraints being placed upon the Council in the next few years. In providing funding members would need to be content that the use of resources for this purpose would be no less important than, for example, possible budget savings options that may come forward through the 2010/11 budget process.

4.2 A funding package of up to a maximum of £15,000 p.a. for a three year period would require a total of up to £45,000 of Council funds. Depending on other calls this sum could be provided from the 2009/10 Miscellaneous Other Services revenue budget from the Provision for Additional Burdens heading. Assuming this budget could bear the full £45,000 cost only £15,000 of it would be used in financial year 2009/10 with the remainder being earmarked within General Fund Balances to provide the required funding in 2010/11 and 2011/12. This would allow the Council to fund the costs over 3 years from 2009/10 money albeit the use of it for this purpose means its not available to fund something else. In the event that the Provision for Additional Burdens couldn’t meet the 3 year cost in full it would be necessary to include this expenditure as a priority within the 2010/11 and 2011/12 budgets when these come to be set.

5. HUMAN RIGHTS IMPLICATIONS

5.1 There are no human rights implications in this report.

6. EQUALITIES IMPLICATIONS

6.1 The issues dealt with in this Report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.

7. SINGLE OUTCOME AGREEMENT

7.1 The report contributes to the following local outcomes contained in the Single outcomes Agreement for Angus:

- Growth in tourism in Angus is achieved.

8. CONSULTATION

8.1 The Director of Corporate Services, the Head of Finance and the Head of Law and Administration have been consulted in the preparation of this Report.

12. CONCLUSION

12.1 The proposals will provide an opportunity to secure a longer term sustainable future for Barry Mill.

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DIRECTOR OF NEIGHBOURHOOD SERVICES

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above Report.

NS/RFA