

# Executive

## Value for Money Review of Culture and Heritage

10 January 2011

### Report of the Interim Chief Executive

#### PURPOSE OF REPORT

To consider the findings of the Value for Money (VFM) Review of Culture and Heritage report and the recommendations arising from the report

This report is public

#### Recommendations

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The Executive is recommended:

- (1) To endorse the overall conclusion of the review that the service is low cost for the Museum but high cost for its Arts service, has high performance in terms of visitor numbers to the museum and is high quality in terms of user satisfaction for the museum.
- (2) To agree that improvements in value for money be sought and approve the following recommendations for achieving savings of £81,130 in 2011/12;
  - a. Introduce single staffing at Banbury Museum, saving £13,385
  - b. Reduce the Museum exhibitions budget and operational costs, saving £15,476
  - c. Reduce arts funding by £31,906, ending grant aid support for all provision other than The Mill, Banbury
  - d. Reduce Arts Officer hours to 43 per week, saving £15,108
  - e. Reduce the operational revenue budget for Arts officers by 26%, saving £5,255
- (3) To cease core service funding of The Courtyard, Bicester due to the intended change in use of the facility from a dedicated youth arts centre which, prima facie, negates the operational agreement the Council is party to. However, retain the provision of a dedicated arts officer to the facility to continue support for the remaining youth arts provision. Subject to further negotiation with OCC and the Arts Council Lottery Unit, this will enable further savings of £38,000 in 2011/12.
- (4) To agree in principle subject to further assessment, to transfer the operation

of the Museum and Tourist Information Centre (TIC) into a bespoke Trust developed for the purpose from 2013/14, saving an estimated £64,000 in NNDR.

- (5) To ask officers to bring a detailed report on the creation of a Trust for the Museum and TIC to a future meeting.

## **Executive Summary**

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### **Introduction**

- 1.1 This review forms part of the Value for Money programme of reviews, which aims to cover all services within the Council and improve the value of services offered to residents of Cherwell.
- 1.2 Culture and Heritage was selected as an area for a 'health check' review during 2010/11 along with a number of other services as these had not previously been covered by the VFM programme but account for a high level of expenditure. The aim of such reviews is to quickly identify potential savings using information that is readily available.
- 1.3 As part of recent planning for the Medium Term Financial Strategy arising from the Comprehensive Spending Review a number of savings options had been identified for the service which amounted to £134,000. An objective of the VFM review was to examine the feasibility of these and, where possible, identify further efficiencies that would allow for greater flexibility in the Council achieving its medium term savings targets.
- 1.4 The overall conclusion of the review is that the service is low cost for the Museum, but high cost for its Arts service. It has high performance in terms of visitor numbers to the museum. It is high quality in terms of user satisfaction for the museum
- 1.5 The review has identified savings to meet the £134,000 savings target along with an additional £49,130 of efficiencies.

### **Proposals**

- 1.6 To adopt the recommendations of the Review in full

### **Conclusion**

- 1.7 Significant reductions to expenditure on Culture and Heritage are possible and these will help reduce the Council's cost base and contribute towards its Medium Term Financial Strategy targets.

## Background Information

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- 2.1 This report sets out the findings of the Culture and Heritage VFM Review with recommendations to achieve its Medium Term Financial Strategy savings target of £134,000.
- 2.2 The agreed scope of the review included Banbury Museum and the Local Arts Development service, with a combined net budget for 2010/11 of £774,396. This has reduced by over 28% since 2008/09, largely through efficiency measures taken in 2009/10, resulting in closure of the museum on a Sunday, single staffing in the afternoons Monday to Friday and delayed opening throughout the week until 10am.
- 2.3 The VFM review has used a range of evidence to inform its conclusions, including the CIPFA RA (budget) benchmarking for 2010/11, bespoke benchmarking for both the Museum and the Arts Development service, and review of satisfaction and budget consultation data. The Review has also benefited from a study and options appraisal into possible governance arrangements for Banbury Museum by DCA consultants as part of a wider project commissioned (and funded) by the Museums, Libraries and Archives Council to offer bespoke advice to ten museums in the South East of England.

## VFM Review Findings

- 2.4 Appendix 1 contains the Executive Summary of the VFM review. Key findings from the review can be summarised as follows;

### Banbury Museum

- Analysis of visitor origin data confirms that the majority of people (62%) travel less than 25 miles to visit the Museum. 98% of respondents considered that their visit to the Museum was either 'Excellent' or 'Good', with only 2% finding it 'Satisfactory'. The same level of satisfaction was found for activities provided by the Museum. The Museum café was considered either 'Excellent' or 'Good' by 85% of visitors.
- It has a significantly higher level of annual visits at 215,477 compared to the average of 86,558 for comparator museums. This is thought to be due in part to its town centre location with a retail entrance, but also the close relationship with the Tourist Information Centre which guides visitors into the museum
- It has the lowest cost per visit at £1.08; 88% lower than the average of £9.16 per visit. At an equivalent cost per visit Banbury Museum would cost the Council £1.9m per annum. Staff cost per FTE was around the average at £32,499
- In budget consultations those taking part were apathetic towards Banbury Museum, with many believing it to be an unnecessarily large drain on Council resources. Consequently, this service was recommended as an area for further savings

## Local Arts Development

- Of the six comparable authorities that still had a Council-funded arts function Cherwell was the most expensive at £1.98 per head of population, 152% higher than the average of £0.77. This equates to expenditure of £161,610 above the average.
- Cherwell had the 2nd highest level of arts grants per head of population at £0.82; 186% higher than the average of £0.29. This equates to expenditure above average of £74,156.
- Cherwell had the 3rd highest level of staffing at 0.13 FTE per 10,000 population, but this was below the average of 0.16 FTE due to a high staffing provision in Test Valley (9 FTE). If this is discounted from the calculations, Cherwell has the 2nd highest level of staffing, 51% above the (revised) average of 0.09 FTE. This equates to 0.61 FTE above the average.
- In budget consultations funding for Arts was an area where many felt that funding should be protected in order to maintain a choice and balance of activities available to residents in the District. However, reallocation of funds within this area was thought to be required, with an increased emphasis on maintaining (and possibly increasing) programmes and activities in centres such as the Courtyard Youth Arts Centre and The Mill Arts Centre rather than rural events.

2.5 The option of closing the museum permanently has been explored as part of looking into all possible options, as it would appear to offer significant revenue savings of £315,000 for the Council. However, the continued operation of the museum is bound up with the funding for its original construction through a National Lottery Grant in which the £2.2m grant awarded was on condition of the museum operating for a minimum of 25 years with collections remaining fully accessible to the general public throughout this period. Failure to meet the conditions of the agreement makes the Council liable for repayment of the grant or a share of the net proceeds of any sale, whichever is the larger.

2.6 A cost benefit analysis of the repayment necessary against the annual saving arising from closure shows that it would take over eight years for the Council to break even. Further, as the museum was purpose-built with no windows it has no obvious alternative uses, and the Head of Regeneration and Estates is not confident the Council would find another user willing to acquire the property. The site the museum is based on is also small which restricts any redevelopment potential. Against this, the Review has shown that the museum is highly regarded by its users with high annual numbers of visitors, and so its closure would represent a significant loss of benefit to the local community.

2.7 Closure of the museum was also discounted by DCA consultants in their study on future governance of the museum. Instead, they have recommended that the Council moves to transfer operation of the Museum and Tourist Information Centre (TIC) into a bespoke Trust developed for the purpose. Amongst the advantages they highlight is the opportunity to claim 80% NNDR relief on both the main museum and the front of house operation that includes the TIC and LinkPoint office, which could amount to £64,000 per annum. The Council would continue to be the principal source of finance for the Trust,

although its new status would enable it to seek additional income from alternative sources such as donations and fundraising.

- 2.8 There is scope for much larger savings in the operation of the Trust through reduced levels of central recharges, with modelled estimates show the services provided by the current recharge of £170,000 could be replaced by additional capacity costing just £60,000. Since this saving would rely upon the re-allocation or reduction of central recharge it does not represent a net saving to the Council as it stands, although ongoing reductions to support costs could present the opportunity to reduce financial support to the Trust on a phased basis over a number of years.
- 2.9 The Council's financial provision to The Courtyard is linked to a 20 year agreement relating to the redevelopment of the facility as the Courtyard Youth Arts Centre (CYAC) through Arts Council lottery funding. The Council's contribution under the agreement is (subject to any RPI adjustment) £30,000 per annum over 20 years commencing 1 September 2000 and also employing an Arts Officer over the lifetime of the agreement, and for paying costs associated with that Officer's use of the Centre. OCC's own contribution is £80,000 per annum plus employment of a Centre Co-ordinator, and Bicester Town Council must contribute £10,000 per annum. Current District Council provision under this agreement is £43,901.
- 2.10 Oxfordshire County Council has announced recently that it intends to change the nature of service provision at The Courtyard as part of forthcoming budget proposals on services for young people. This, effectively, will make The Courtyard one of seven 'hubs' for service provision across the county, providing early intervention services focusing on children, young people and their families in most need. Although it is intended that the Hubs will continue to offer evening and weekend sessions to young people, so far as The Courtyard is concerned this significantly alters the scale and to a lesser extent the nature of arts provision as agreed, but this is still subject to negotiation with OCC and the Arts Council Lottery Unit. Further detail is provided in the Legal Comments section below
- 2.11 The Review proposed the following options for achieving savings;
- Savings of £92,681 in the operation of Banbury Museum are possible through scaling back the capacity of the service without reducing the number of staff. Reductions in front of house museum activity will protect the level of professional staff required to exploit future opportunities and move the Museum to Trust status, while maintaining current opening hours. Moving to Trust status could enable savings of £64,000 and allow the Museum to have a greater determination of its own direction.
  - A reduction in arts grants of £31,906. This would eliminate the grant aid support for all provision currently funded through annual bids except The Mill.
  - To eliminate the current core service financial support provided to The Courtyard while still retaining arts officer support to the facility and supplementing with a small project budget. This will reduce costs by £38,000 and with the reductions in arts grants proposed above, bring arts grant funding in line with the average for comparator authorities.

- Further savings of £20,363 in Arts Development, which would involve reducing the overall hours of staff and reducing their operational revenue budget.
- 2.12 The total value of the savings recommended is £183,130 of which £119,130 can be achieved in 2011/12 and the remainder of £64,000 in 2013/14.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 While overall expenditure for Culture and Heritage has been shown to be below average, there are differences in financial provision between Banbury Museum (significantly below average) and Arts Development (significantly above average)
- 3.2 The Review has identified savings options that exceed the MTFS target set for the service by £49,130. However, in order to bring arts development expenditure in line with the average would require additional savings in the order of £66,000. Public budget consultation has indicated this is a service they would wish to see protected.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

- Option One** To make savings of £183,130 as set out in the recommendations, which will significantly reduce the costs of the service, including arts funding, while still retaining a reasonable level of service provision
- Option Two** To make further savings of £66,000 in arts development funding to bring it in line with the average spend of comparator authorities. This would require the loss of two posts and the end of funding to The Mill, putting the sustainability of the service in question.

### **Implications**

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**Financial:** The review has identified potential savings totalling £183,130 against a target of £134,000. Sufficient savings have been identified to meet the Council MTFS requirement, with further savings providing some flexibility should other aspects of the Strategy not be deliverable.

Comments checked by Karen Curtin, Head of Finance  
01295 221551

**Legal:** **Banbury Museum**  
The move to Trust status requires engagement and negotiation with National Heritage Lottery Fund, who provided the substantial grant to construct the museum, although, as long as a public museum service continues to be maintained on the site, any claim for a total or partial refund of the grant received from NHLF, whilst plausible,

is not anticipated.

### **The Mill Arts Centre**

The running of The Mill is governed by a rolling 3 year partner agreement with OCC (one year is added at each annual review) so that, at the present time, the 'current' arrangement (including the present level of funding) will – subject to review in April 2011 - last until April 2013 (the 'current' period began 1 April 2010).

The earliest the Council could unilaterally withdraw from the partner arrangement without incurring significant financial liability is, therefore, April 2014 (assuming a minimum of 3 years' notice would be required by OCC, and that that notice is served on or before 1 April 2011, being the soonest date of issue).

Were the Council to withdraw from the arrangement regardless of any contractual right to do so, or without achieving a consensual wind down with OCC, then the Council could be liable to pay to OCC the money OCC would have been entitled to receive if the agreement were to run to term (i.e., the sums that would otherwise have been payable to OCC under the agreement until April 2014).

The Council may also be liable for other losses, such as employee costs, incurred by the County Council that might arise directly from any unlawful termination of the agreement by the Council.

There may, however, be opportunity, either at the next annual review – anticipated April 2011 – or sooner, given OCC's own service spending reviews, to engage with OCC and negotiate either an adjustment to the Council's funding and/or an early, inexpensive, withdrawal from the partner arrangement.

### **Bicester Courtyard**

The running of Bicester Courtyard is also subject to a partner agreement with the OCC, to which Bicester Town Council is also a party.

Under the terms of that arrangement, the Council must maintain its contribution - in cash and other resource - until October 2020 *or for so long as the Courtyard continues to be used as a youth arts centre*. OCC's own proposals for this site could therefore determine this agreement on the basis that they represent a clear change in the Courtyard's use, although, given the agreement does not define "youth arts centre", and as any peremptory withdrawal from the agreement could conceivably render the Council liable to pay to OCC:

- all sums due to OCC if the agreement had not been cancelled,
- OCC's employment costs and

- any other losses reasonably incurred by OCC – or, indeed, Bicester Town Council - that might directly arise from any unilateral withdrawal by the Council

early consultation with OCC - and Bicester Town Council - on any proposal to determine this agreement is recommended.

Any change affecting the Courtyard, whether through a change in its usage or the early withdrawal of one of the parties to it, might also affect the grant Arts Council England (“ACE”) paid to facilitate its provision.

OCC received the grant as owner of the Courtyard, while the application for that grant was submitted to ACE by the Council, and any repayment of grant to ACE may therefore, depending upon the cause of that repayment, be required to be apportioned between the County and District Councils.

Accordingly, discussion is also recommended with OCC and ACE to establish the probability of grant repayment and the proportion, if any, for which the Council might ultimately be liable.

Comments checked by Richard Hawtin, Team Leader – Property and Contracts 01295 221695

**Risk Management:**

The recommended level of savings presents minimal risk to service delivery.

Comments checked by Rosemary Watts, Risk Management and Insurance Officer 01295 221566

**Data Quality**

Data for cost comparison has been obtained through 2010/11 RA forms of comparable CIPFA family authorities, and through bespoke benchmarking exercises. Financial data has been prepared by the relevant service accountant

Comments checked by Neil Lawrence, Improvement Project Manager 01295 221801

**Wards Affected**

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All

**Corporate Plan Themes**

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An Accessible, Value for Money Council

**Executive Portfolio**

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**Councillor George Reynolds**  
**Portfolio Holder for Environment, Recreation and Health**



## Document Information

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<b>Appendix No</b>	<b>Title</b>
Appendix 1	Culture and Heritage VFM: Executive Summary
<b>Background Papers</b>	
None	
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