

Options for Cultural Services - Review Document

Aim of the Review

The aim of the review is based on four considerations. These are:

- **Better Services** – opportunity to use cultural services to create better outcomes for people through links with health and well being, learning and economic development.
- **Community** – a co-ordinated approach to cultural services that supports third sector sustainability
- **Commissioning** – develop services through commissioning that meets the council's corporate objectives
- **Financial** – ability to make savings, share resources and maximise income

Outline of Services in Scope

The services selected to be in scope are linked through the deliver of “cultural services” and associated with the outcomes listed later in this document. Services in scope are listed below.

- Leisure facilities - this is primarily the Halo facilities.
- Arts facilities – the commission to the Courtyard
- Arts Development
- Heritage
- Inspire (Cultural Learning)
- Archives
- Archaeology
- Libraries (development and delivered services)
- Sports Development and Physical Activity
- Herefordshire Music Service
- Countryside
- Positive Activities for Young People
- Outdoor Education

Most of the services are currently with the Places and Communities Directorate, though the Schools Music Service, Outdoor Education and Positive Activities for Young People are within the People's Directorate.

The commission to Halo and the Courtyard are also in scope. The local authority outsourced the delivery of the Courtyard to a designated trust in 1999 to run the then newly built arts centre in Hereford; whilst Halo was established in 2001, again as a designated trust. Both receive funding through a service level agreement which is based on achieving the corporate aims of the Council and have extended their “core” remit over time to meet health and well being agendas.

The table below sets out the total number of services users access the directly provided or commissioned services.

| Service | Out turn 2010-11 | Notes or explanation |
|----------------------------------|-------------------|--|
| Halo | 1,404,597 | Total number of visits to Halo sites |
| Kington/ Wigmore Leisure Centres | 27,500 | Total no visits to Lady Hawkins Leisure Centre, Kington |
| | 9,500 | Total no of visits to Mortimer Leisure Centre, Wigmore |
| The Courtyard | 78,789 | Total known attendance for paying customers |
| | 200,000 | Total estimated attendance for paid and unpaid activities |
| Heritage | 132,737 | Total number of visits to Council owned heritage centre sites |
| Archives | 3902 | Total visits to Records Office |
| | 672 | Attendance at talks |
| | 883 | Attendance at exhibitions and events |
| Libraries | 700,312 | Total no of visits to libraries |
| | 209 | Home Delivery Service (from January 2012) |
| | 31 | Nursing Homes visited. |
| Learning Team | 13,848 | Includes attendance by adult and children at events, reading groups and school visits. |
| Herefordshire Music Service | 2,500 pupils pw | Individual and paired instrumental lessons (for 32 weeks) |
| | 850 pupils pw | Wider Opportunities/whole class instrumental lessons (for 32 weeks) |
| | 325 pupils pw | Music Centre bands and orchestras (for 19 weeks) |
| | 576 pupils | SingUp/Vocal (3 sessions) |
| | Approx 750 pupils | Other projects/residential course etc. |
| Youth Service | 3,411 | No of 13-19 year olds in contact with youth service |
| | 533 | No of 13-19 year olds contact through 3 rd sector contract |
| | 1,129 | Accessed outdoor education services through Duke of Edinburgh's award scheme. |
| Arts Development Service | 103,188 | Consists of h.Art / Craft Fair visitors, artists taking part in arts markets, those receiving training and audience/participant figures from our 10 commissioned arts organisations. |

Role of Cultural Services

The public sector subsidy of cultural services supports a wider range of core functions:

Economy –attractions and events are key to the county's tourism offer; employment in the sector; promotion and events; support for the creative industry sector and other business / employment opportunities.

Health and well being – strong links with sport and wider physical activity (e.g. play, walking); mental health through arts, reading and access to the countryside; creating opportunity for social integration including cross generations; social care activity e.g. heritage projects involving older people.

Community – access to services including mobile museum, arts and sports outreach, book clubs, as

well as targeted home delivery services (libraries); creating social networks through events; support for local groups to run their own activities; supporting cultural diversity.

Children and Young People - book start programme; support for the school curriculum through mobile library, heritage, arts and library programmes; targeted work with young people who are vulnerable or excluded; outdoor education; creating a “creatively” minded workforce.

Environment – protection of the natural and historic environment; access to the countryside, play areas and parks.

Holders of the corporate assets – historic collections in trust of the local authority, primarily within the Record Office, the collections of Heritage Services and countywide records in the care of the Archaeology Service.

Reputation - quality of life in an area measured by its cultural offer; business relocation based on leisure and recreation availability.

Outcomes

In terms of “global outcomes”, the in-scope services are well aligned to the Corporate Plan outcome of achieving “vibrant cultural opportunities” which itself sits within the priority to “promote self reliant local communities”. Also, research carried out on the “value of culture” has shown there to be strong alignment with a number of other Corporate Plan priorities.

In commissioning individual services, it is necessary to move from global to service specific set of outcomes. The following outcomes were generated as part of the work of the review:

- To improve skills and knowledge through access to books and knowledge in different forms and formats.
- To make archive and historic collections available to the public.
- To conserve and preserve historic and environmental assets for future generations, including meeting regulatory and environment management of collections.
- To give children and young people experience in culture and leisure as grounding for adulthood.
- To instil creative skills as a benefit to employers considering the changing nature of workforce requirements.
- To contribute to a thriving and diverse economy through tourism and employment in the cultural sector.
- Enable local people to experience national, regional and local creative experiences.
- Increase engagement in the arts to bring communities together, develop skills and experience.
- To provide access and appreciation of the countryside.
- For cost not to be a barrier to opportunities and experiences in the cultural sector.
- To provide access to sport and physical activity where people can improve their health.
- To set future policy to maximise cultural services as a means to achieve corporate aims, delivered through community enablement, commissioning and partnership activity to provide value for money.

Consideration of Future Options

In considering the future delivery arrangement for services a number of commonalities have emerged. These are based on services sharing the same processes, target groups, or purpose. These have been considered to explore how services can be brought together to create efficiencies or a more co-ordinated approach for users. These can be “overlaid” to understand how service functions can be grouped were appropriate.

These can be summarised by:

Process – the way in which services share key areas of work. These are primarily based on customer engagement and partnerships; marketing and promotion; asset management (e.g. collections); enabling and advising; policy and development; building and management. (These are listed in terms of the most common being first).

Core functions – this divide is between strategic / development and direct delivery of activity. Whilst Halo and the Courtyard firmly correspond with direct delivery, a number of the internal services had a role in both divisions.

Specialism – this primarily looked at specialisms and to some degree how services are accessed. Three strong areas emerged as Arts, Heritage and Sport / Physical Activity.

By Customer – understanding shared customer interests and type. This uses as a starting point the customer / user interest and where there can be opportunity for shared experience and audiences.

The analysis of services needs to be considered next to the delivery options. Based on desk research and discussions in other counties the following long-list of options has emerged in the delivery of services.

Retained within the local authority

Though a number of authorities seem to be looking at externalisation of cultural services, there is still an option to retain services in-house. This would require a split between the delivery and commissioning.

Collaboration with other local authorities

The merger of services across authorities has been explored in a number of studies, primarily considering the library service. Work commissioned to Black Radley showed only a minimum financial benefit of authorities coming together for joint management; and this was also explored more locally through the Future Libraries Programme (Herefordshire and Shropshire) which estimated a saving of no more than 3%.

Single and multi charitable trusts

There are several formats of charitable trust though the most frequently operated by the cultural sector is charitable trust combined with company limited by guarantee. The combined trust and company is owned by members and controlled by directors / trustees usually recruited from the local area. It operates as a legal entity with full financial and contractual capabilities, subject to dual regulation by the Charities Commission and Companies House. Both Halo and the Courtyard are run this way.

Though most trust operate based on specialisms (e.g. leisure) in some areas a “super-trust” manages a group of cultural services. This has the advantage of a strongly co-ordinated sector, but some of the subtleties of specialist markets, interests and identities could be lost.

Private company /social enterprise

The private sector is increasingly interested in the managing of cultural services. However, this is usually based on volume and being able to maximise income. Primarily this is within leisure centres, but the private sector has expressed an interest in running libraries. There is also potential for the services to set up as their own private companies and social enterprise – possibly created through a staff mutual. This could be especially relevant for traded services, though the scale of these companies could impact on sustainability unless linked to larger enterprises or companies.

Joint venture company or partnership

As a formal arrangement the service could follow the Amey model operated in the county. Amey is a private sector provider but very much wedded to the Council in the delivery of corporate aims and programmes. There is an agreement to share any surplus.

In Annex 1 these options have been scored based on meeting the aims of the review, and financial viability. In summary these “tests” are:

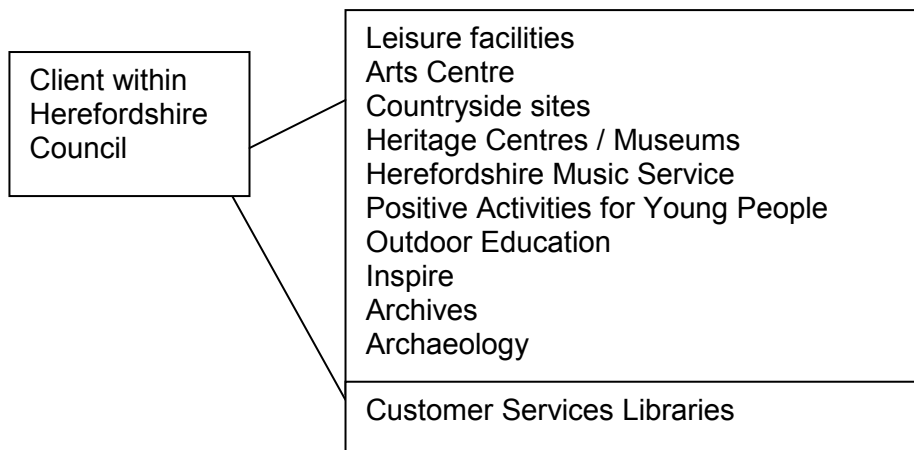
- Achieve outcomes
- Create savings required
- Create long term savings and income generation
- Achievable management costs by the local authority
- Long term stability
- Retain influence and control
- Involves communities in governance
- Easy and cost efficient to implement
- Builds on current arrangements

Shortlisted Options

Taking into consideration the scoring of the long list of options, the profile of the services and the commonalities between services three shortlisted options have emerged. These are:

- Option One: Combined Services
- Option Two: Customer segmentation model
- Option Three: Status quo with improvements

Option One: Combined Services



Development and Commissioning

Delivery and operational

Description: To retain a small client function within the local authority that has the role of commissioning and development. The “delivery” of services would be commissioned to an external body to manage a group of services. It is likely this would be a charitable trust as this is a common model used to deliver cultural services, there could be private sector interest with the scale of services involved (subsidy value of approx £5m – although the private sector would probably require something more guaranteed than a subsidy). The organisation would be Herefordshire based, but with the potential to work across county boundaries.

The in-house commissioning and development team would set policy that the “delivery” organisation would fulfil. The delivery organisation would operate on an enterprise model to generate income and seek other contracts.

Library delivery through Customer Services would remain as part of the local authority, or at least in the short term.

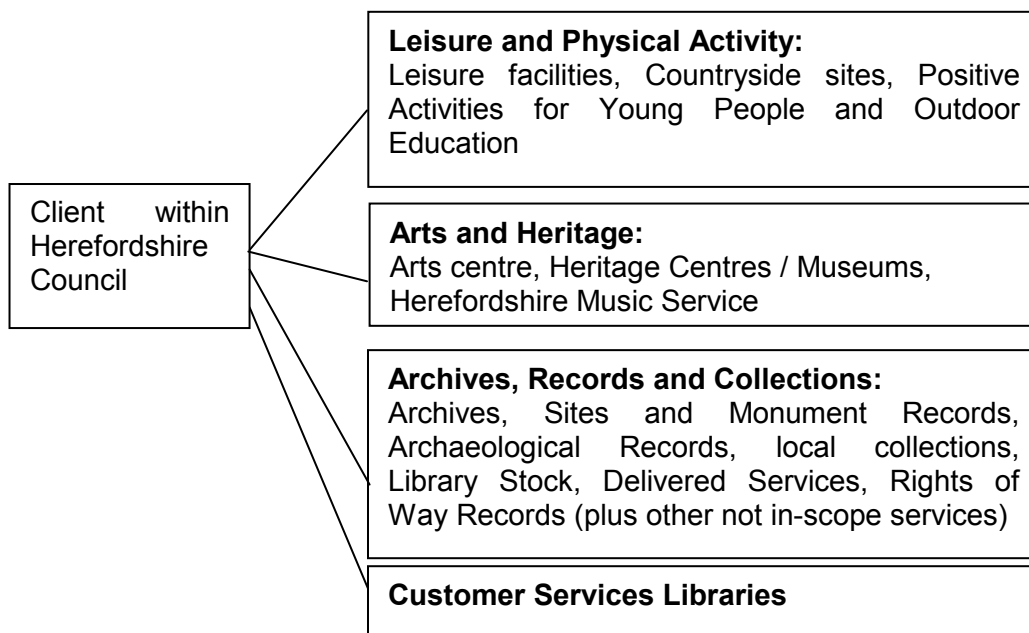
Advantages

- Larger economies of scale would be achievable through the single trust model
- There would be a single relationship with an external organisation to deliver a range of cultural services which may be easier to manage and less resource intensive
- There is potential to improve marketing / profile in the co-ordination of services which could create opportunities to generate income
- Back office functions can be shared, saving resources
- Potential for NNDR savings (see finance section)

Disadvantages

- Does not build on current outsourcing arrangements, having to start again on procurement which would take time and contain an opportunity cost (approx £70,000-£100,000) which would need to be balanced with the level of reward e.g. level of savings.
- The functions of a number of specialisms of services in scope have little in common
- The single trust model places the risk of failure on one organisation
- That single trust model may give favour to services that earn income

Option 2: Customer Segmentation



Development and Commissioning

Delivery and operational

Description - The option builds on an understanding of the customer base for the services, grouping functions that best meet the people who use them and the way they are used. This option is also building on what is already operating in the county and could be seen as a further step in the wider re-engineering of services and functions.

The option retains a core commissioning and development team within the local authority, whose role would be to interact with other related departments in HPS and will set the standards and policies for any commissioning. This team will also drive development programmes and support community enablement e.g. set up of community libraries.

The commissioned functions would be the deliverers of services, with direct interface with their users. This is to reflect how people use specific services and which people use services. The work of the commissioned organisations/services are largely based on customer access to the built assets, whilst the in-house services will direct targeted work in the community.

The model would allow for the establishment of a single Archives, Records and Collections service. In relation to the services in scope this would include archives, sites and monument records, historic collections, archaeological records, local collections (from libraries) potentially library stock management - other records functions within the authority could also be part of the service. The service would be run by the local authority because of the sensitive nature of some of the material and the collection standards mandated to councils. However, they could move to an external commissioned organisation once established to benefit from NNDR savings if available.

The commission of Leisure and Physical Activity would include the Halo remit, countryside rangers and implementation, outdoor education, and positive activities for young people. This grouping reflects the activity based approach which will have shared audiences linked closely to health. The positive activities for young people would primarily be linked this segment, with relationships with community groups and other providers.

Arts and Heritage would bring together the Courtyard, the front end delivery of the museums and heritage centres and the Music Service. Whilst the Courtyard and museum / heritage centre visits share common audiences, the Herefordshire Music Service is targeted primarily at schools. However, with the national guidance to create Music Hubs there is a benefit of being linked to wider arts and music delivery.

As regards Archaeology, only the records element and related projects would be part of the model, with the rest of the services retained within the Strategic Planning and Regeneration service.

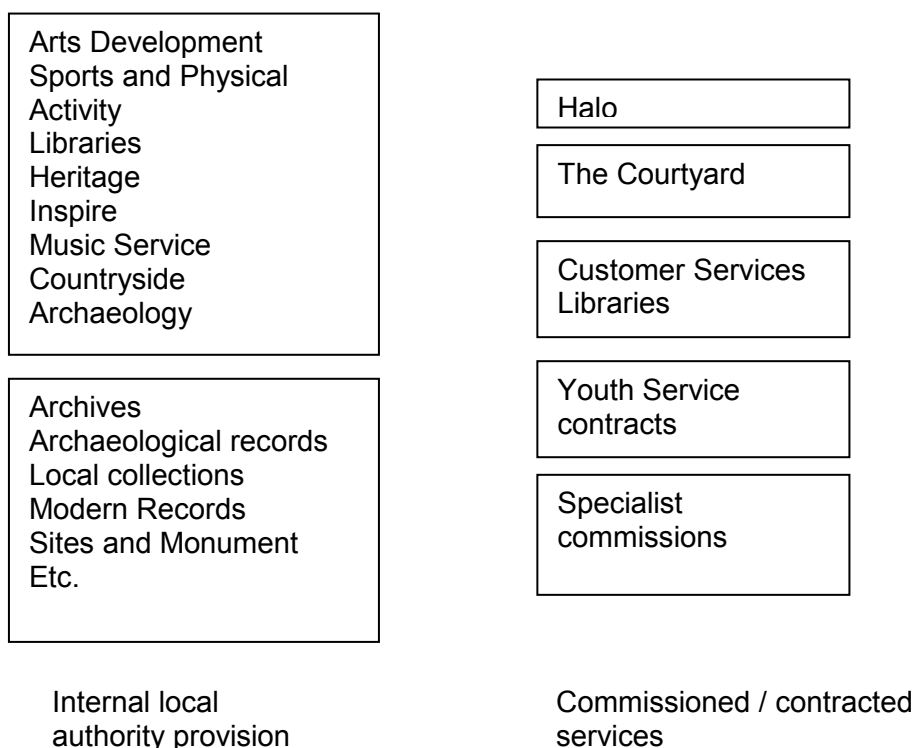
Advantages

- Recognises and retains specialisms which will possibly improve the quality of service
- Reflects customer profiles with opportunity for better co-ordination of services
- Retains some of the current arrangements, therefore not costly to implement or manage
- Commercial opportunities for income generation to make the services sustainable
- Retains care and management of key historic assets within a more co-ordinated approach

Disadvantages

- Resource needed to manage the relationship between client and commissioner could mitigate savings
- Relationship between services specifically care of collection and access / display of collections
- Does not present economies of scale as in option one.

Option 3: Status Quo Improvements



Description - The status quo with improvements means retaining majority of services within the local authority under the Places and Communities Directorate. Though currently in two different divisions they can be brought together to create overhead savings. Also, some services can proceed with a procurement route (specifically Outdoor Education and Positive Activities) with other services generating more income and in becoming traded services. This would mean Halo and the Courtyard retains the current remit with a refresh of commissioning agreements to reflect outcomes and priorities.

This could be a “step-approach” model, where individual services are commissioned overtime using various routes and mechanisms, including smaller trust/social enterprises/businesses to deliver specialist services. There is also the potential of working with neighbouring counties over sharing specialisms - this has been explored with Shropshire relating to the Futures Library Programme and heritage collections requirements.

Advantages

- Easier to implement, with each service having to find an additional 10% savings
- Retains specialisms of services either in the local authority or already commissioned services
- Can create a co-ordinated service under one division, though not co-ordinated with existing outsourced services

Disadvantages

- Does not provide answer to sustainability of services in the longer term
- Does not focus on customer usage as a starting point
- Limited drivers for change
- Having a number of smaller external contracts has a management / monitoring implication.

Financial Implications

Annex 2 contains a current overall budget for the services in scope. The budget is split between cost centres as an illustration of the allocation of spend.

Savings already planned for 2012/13, with an additional £150,000 target through the options for cultural services.

| Service | Planned 2012/13 £ |
|---------------------|-------------------------|
| Halo | 105,000 |
| The Courtyard | 32,000 |
| Youth Service | 191,000 |
| Countryside Service | 50,000 |

As a result of front of house library service merging with customer services £170,000 saving is to be achieved over a full year period starting in December 2012, which includes £98,000 existing library services savings.

Herefordshire has previously externalised cultural services (namely leisure facilities to Halo and arts centre to the Courtyard). These services have the capacity of generating a high proportion of income beyond the council's commission because of the income opportunities of ticket sales, entrance fees, venue hire, etc. This is not so much the case with the remaining services, whilst there is potential to strive for greater income there is less opportunity to do so (local authority contribution represents 19% income for the Courtyard and 14.8% for Halo).

Whilst the front line delivery of services are to be retained, there could be a change in the way services are delivered and how they are managed. Retaining standards and use will be measured through any new commissioning arrangements.

Considering the retention of front line services, the realistic options for reducing the budget therefore are:

- The redirecting of services e.g. a different way of doing things
- The merger of services e.g. library merger with customer services
- Reducing the corporate overheads
- Reducing the staffing complement by bringing functions together
- Opportunity to raise additional income
- Or a combination of some or all

As regards National Non-Domestic Rates (NNDR) the Local Government Finance Act 1988 permits councils to grant rate relief to several categories of ratepayers. These include charities, including Halo and the Courtyard. Charities can apply for 80% relief off their premises rates. Of that 80%, 85% is found from a Government pool and the rest covered by the local authority. The rates are based on the location and the size of the property so will vary – the list below gives the potential savings if NNDR was applied to all cultural services buildings (including libraries).

However, from 2013 the local collection / management of rates could mean that Herefordshire Council will have to provide all of the Mandatory Relief, and therefore not a saving to the local

authority. It is likely there will be some national funded compensation to cover the mandatory requirement, but that will not be known until details of the local collection are confirmed.

| Facilities: | NDR saving £ |
|---------------------------------------|---------------------|
| Ross Heritage Centre and TIC | 3,105 |
| Ledbury Heritage Centre | 3,353 |
| Old House Museum | 5,705 |
| Heritage Recourse and Learning Centre | 36,763 |
| The Records Office | 26,526 |
| Canoe Centre | 1,126 |
| Libraries: | |
| Bromyard | 4,179 |
| Hereford | 24,970 |
| Kington | 4,386 |
| Ledbury | 4,055 |
| Leominster | 21,528 |
| Ross | 20,685 |
| Colwall | 2,445 |
| Weobley | 1,304 |

Non-profit distributing bodies operating sports facilities are exempt from VAT on entrance fees for sporting activities and there are some other VAT breaks for voluntary bodies generally.

Annex:

- 1 Delivery Options
- 2 Financial Profile