

7 March 2005

Mrs Jane Jones  
Director Policy and Community  
Herefordshire Council  
Brockington  
35 Hafod Road  
Hereford  
HR1 1SH

Dear Mrs Jones

**Scrutiny Committee Report on The Courtyard**

Further to the meeting of the Social and Economic Development Scrutiny Committee on 31 January 2005 where the Committee discussed the findings of the Scrutiny Panel's report on The Courtyard, it was agreed that The Courtyard's Board would formally respond to the report in writing before our Chief Executive and I attend the next meeting on March 22.

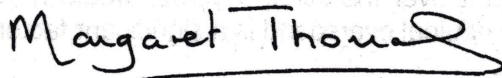
The Board has now met and discussed the report in detail and we submit our comments in the attached document in the order in which they appear in the report.

The Board would like to take this opportunity to thank the Panel for the scrutiny report about The Courtyard and the very positive responses they have made. The Board is also immensely encouraged by the extremely positive feedback the Scrutiny Panel received from the public consultation exercise that was undertaken, and at some point we feel it would be very valuable for us to receive copies of the responses that are not marked confidential to help us further with our continuous monitoring and evaluation processes.

On behalf of the Board I would like to request that this response is treated as non confidential and would appreciate the full text being included in the public part of the agenda.

I should be grateful if you could let us know the format of the meeting on 22 March together with any other arrangements we need to be made aware of.

Yours sincerely



Margaret Thomas  
**Chairman**

## Response from The Courtyard Trust Board to the Review of The Courtyard Centre for the Arts by The Social and Economic Development Scrutiny Committee - Courtyard Review Group – January 2005

The response by The Courtyard Trust will follow the section and paragraph numbers of the report to avoid any confusion as to which elements are being responded to.

### Section 2 Method of Gathering Information

2.2 The Board is concerned that the Review Group chose to visit Ludlow Assembly Rooms in order to gain further insight into the operation of an arts centre in a rural area. While the Board does not dispute the fact that the Assembly Rooms is a very credible arts centre based in a rural area, it is a very different type of organisation from The Courtyard, a significant difference being that it is not a producing house. At the initial Review briefing session the Chief Executive highlighted two organisations that would have been appropriate comparators which would have given a better insight into running and managing an arts centre in a rural area on a scale similar to The Courtyard. These were The Castle in Wellingborough, which was in fact used as a model when The Courtyard was being developed, and The Brewery Arts Centre in Kendal, which is serving a very rural community with a high number of tourists visiting the area.

As a result, the Board is concerned about the level of appropriate benchmarking that has taken place in helping to inform the scrutiny of The Courtyard.

### Section 3 Background to The Courtyard

3.3 Whilst the overspend on the original build, and the fact that the scheme was “trimmed to keep within the available budget” by the Council, are alluded to in this section, the document does not really highlight the impact of these factors on the Trust. Hereford City Council had overseen much of the planning and construction work up to the point on April 1 1998 when Herefordshire Council came into being and took over the remainder of the project. As the build neared completion, it became apparent that the project was going to be overspent. In order to prevent this Herefordshire Council arranged that £280,000 was top sliced from the capital fund, referred to as *The Sinking Fund*, over the first 7 years of the life of the organisation in the form of a loan to the Trust from them. This reduction, to cover the overspend on the build, was never planned for in the Trust’s original business plan. Had this unexpected reduction not occurred, the Trust’s capital fund, after the expenses that have been drawn from it over the initial 7 years, would now stand at approximately £330,000. The original overspend is a significant factor in the Trust’s current financial position.

The other factor that is not highlighted is the £223,000 of equipment, budgeted for in the approved lottery bid, that was cut from the original approved lottery specification, also to help meet the overspend. Some of this

equipment has since been purchased directly by the Trust over the past 7 years, but much of it has remained beyond the Trust's means.

Moreover, a further £100,000 of equipment had to be leased by the Trust to be able to open the doors in September 1998. This lease again had never been budgeted for in the original business plan and has been paid back to Herefordshire Council out of our revenue grant over the last 5 years. An additional £16,000 also had to be paid back at the end of the lease because a buy-out lease had not been set up at the outset to retain the equipment at the end of the 5-year period.

These figures in total amount to some £619,000, which has been deducted from the Trust's income. When the Trust was established the impact of this was not conceived and would, it is felt, have placed the Trust in a very different position at this time.

3.4 The Board wishes it to be recorded that the vision of a 7-year funding agreement by the Council is a significant factor in establishing The Courtyard as the credible organisation that it has become. The funding agreement enabled the organisation to plan and also gain the confidence of other funders particularly the Arts Council.

#### Section 4 The Building

4.1 The definition of The Courtyard as a "small arts centre" is inaccurate and it is requested that this should be amended to read "middle-scale arts centre".

This section also does not really make reference to the significant problems that both the Council and the Trust have experienced in relation to the roof and other major issues including the lift etc.

4.3 The Board agrees with the Review Panel that signage to the venue is woefully inadequate; this is something that is constantly fed back to us by visitors to the area. The report alludes to the need for improved directional signage but does not state where the funding or responsibility lies in this respect. The Board would therefore like to seek clarity on this, as it does not consider this a part of its remit.

#### Section 6 Education & Outreach

The Board is grateful for the recognition of what it considers to be an extremely important area of development in The Courtyard's work. The Board is pleased with the way this partnership approach has developed with the education directorate over the last 12 months and recognises this as an area of growth in our work. The Service Level Agreement and the funding commitment this brings enable us to secure additional funding from outside bodies using the £33,000 provided by the service area as a match.

## Section 8 Funding

8.2 The Board recognises the significant investment that the Council provides to The Courtyard and hopes that the Council recognises the considerable benefits that it now receives in return. While the reduction in the percentage of total income represented by the Council's funding is alluded to in the report, the Board feels that it is important for this to be highlighted more explicitly. The Board wish to emphasise that while in 1998 the Council's funding support equated to 50% of The Courtyard's income, by 2004 the figure had fallen to 20%, demonstrating how effective The Courtyard has become in raising income and securing funding from other sources. It is felt that this is a significant demonstration of how the organisation is providing both the Council and Council Tax payers with very good value for money.

8.3 The report does not make any reference to the fact that the Council have 14 days free use of the building which allows for activities such as the Contemporary Craft Fair and Young Musicians Showcase to take place at no additional charge to the Council. These 14 days are equivalent to a value of £8,500 in kind support to the Council from the Trust.

8.5 The Board is reassured by the understanding that the Council's investment in The Courtyard gives confidence to other funding organisations to invest in the facility. A short-term funding agreement would severely disadvantage the organisation at a time when it is making strong headway in stabilising its future.

8.6 The Board wishes to correct an inaccuracy in this section, which relates to the funding received from the Arts Council. The Trust currently has a 3-year funding agreement with the Arts Council and not a 2-year agreement as stated in the report. The confusion has probably arisen from the fact that we are currently in the second year of that agreement with one more year to run. We will be renegotiating our next 3-year agreement with them during 2005/06 to run from April 2006 to March 2009.

## Section 10 Financial Improvements

10.1 The vacancy of a Staff Representative is due to be filled in April; however, it must be stressed that this is not a Board appointment and the Staff Representative is there in the capacity of an observer, as are the other Officers of the organisation. The Officers of the Trust contribute to the debate but do not have voting rights.

10.3 It is strongly felt that it is the role of the Board to monitor staffing levels of the organisation. As part of its review of the organisation, the Board has considered the current and future needs of the organisation in respect of its staffing levels and has restructured certain areas with a view to improving the quality of productivity and efficiency. While it is recognised that staffing levels have risen over the last 6½ years, it needs to be recognised that this is in proportion to the overall growth of the organisation over the same period. The

Courtyard could not possibly be run with the 12 members of staff it opened with in 1998 and even now at times the organisation is stretched in certain areas. The report also does not seem to give sufficient consideration to the fact that several staff posts are externally funded.

### Section 11 New Income Generation

11.1 The Board is grateful that the Scrutiny Panel has recognised the The Courtyard's success in raising additional funding and increasing its income streams. The Board recognises it is often project work which brings in the most substantial amounts of funding allowing it to develop new initiatives and periodic schemes of work. However, where project funding is secured it is not often revenue that can be utilised towards core costs. Most funders will only allow for up to a maximum of 20% of a project budget towards the core cost element of the organisation.

11.2 The idea of introducing a shop in the foyer at The Courtyard has been considered several times, most recently during 2004 when discussions were undertaken with the Leominster-based Lion Gallery. Regarding their possible relocation here. (The shop would have been based in the foyer and the Lion Gallery would have been resident in The Courtyard on a similar basis to the other resident organisations e.g. The Music Pool). However this would only have generated an estimated income for The Courtyard in the region of £8,000 p.a. maximum, but would have involved major capital outlay in setting up the shop area and for making the space secure. It would have taken some time to recoup the initial capital outlay. If, as the report suggests, The Courtyard does expand, then this area of the building could be reconsidered and a retail outlet incorporated, which we would be pleased to house, giving us another dimension that adds to the work we currently do. The Board is unclear as to the Scrutiny Panel's comment that a shop would assist the Friends in generating income and further clarification is sought regarding this.

11.3 The Board was not aware that The Courtyard Trading Company Ltd was under scrutiny as this is a legally separate commercial operation and with it carries commercial sensitivity. However, the Board offers the following comment on this aspect of our business. Having previously franchised out the catering operation with, it must be said, disastrous consequences, the Company has no plans to repeat this exercise. There are a number of issues that do not make catering in this building easy to operate, which again relate back to the design and layout of the building. In addition, the opening times of the building dictate when the catering department has to be operational, i.e. from the moment the building is opened to the public to the point at which it closes. This is something that may be possible to address at a future date when the building is extended. It is also important to note that the catering operation functions best when it is working as a cohesive part of the organisation, unlike when it was franchised and working to its own independent agenda.

11.4 The Courtyard currently has a customer suggestions box placed at Box Office and invites customers to offer both positive feedback about aspects of their visit they have enjoyed and draw to our attention areas of concern. We respond to the latter and have our own in-house performance indicator, which we monitor.

11.5 The Courtyard has recognised the significant part that film plays in its overall programme of work. It also acknowledges that it is an arts centre and needs to offer a broad programme of work. We have been looking for some time at potential funding sources to develop the aspirations of the organisation and we recognise that the current Studio Theatre is somewhat on the small side for live performance and also falls short in terms of being a dedicated cinema. Screen West Midlands has indicated that if we extend the building and create a new performance studio, there is the possibility that funding would be forthcoming towards converting the existing Studio space into a dedicated cinema, which we welcome. This would give a more consistent approach to our film programming together with an opportunity for patrons to have the benefit of an all-year-round programme rather than the *ad hoc* schedule that currently exists. This initiative is obviously not a quick fix and once more relies on a substantial capital investment.

11.6 It must be recognised that The Courtyard is first and foremost an Arts Centre and not a conference centre. The Courtyard hosts regular conference bookings where and when it can include them practically in its programme of work. We have only limited break-out spaces, which is sometimes a problem for conference organisers, and, as stated in the report, the lack of major hotel bed spaces in the city is a contributing factor to the size and duration of conferences. On occasions, major businesses have approached us to host large-scale events in pleasant surroundings (in terms of both the venue and the county as a good place to bring delegates) and then found the infrastructure lacking and had to look elsewhere.

11.7 The Board is pleased that the Scrutiny Panel has recognised the success that we have made in the area of sponsorship and corporate giving. This has been recognised as an important area of financial improvement; this is new money and can be brought into core costs for the organisation. When successful it can be very positive, but it is far less predictable. It is also a fact that very few trusts will fund organisations' core costs and are more likely to fund projects; it is for this reason that as an organisation we have been concentrating on developing corporate giving first before turning our attention to trusts and foundations in a big way.

11.8 We are very grateful to the members of the Friends scheme, many of whom are very active in helping us through volunteering in a number of ways. Some act as Stewards for events, some distribute publicity for us, and others are happy to come in to help by stuffing envelopes for mail-outs and for fundraising too. All of this provides valuable support to the organisation, but it must be recognised that the Friends scheme takes quite a lot of administering and the volunteers are already giving, in the majority of cases, as much time as they can, as often as they can.

11.9 The Board and management are unclear as to what is meant by this recommendation. Music is already an integral part of The Courtyard's overall programme of work for which it achieves large audiences. During the current year we have 39 music events in the programme.

If it is being suggested that The Courtyard should be programming up-and-coming 'pop music' bands, with a 400-seat space this is impractical, as we could not generate the ticket revenue to be able to attract these types of bands. The ability to flat floor the auditorium is also hampered by the fact that the hydraulic lift was one of cuts made from the original specification due to the overspend and, as a result, this now takes 4 staff 8 hours to turn the space around each time.

11.10 The sale of art-related goods has been discussed since the publication of the report: but with an art supplies shop at the Art College and the presence of a commercial art supplier in Widemarsh Street, it would not appear to be commercially viable for us to consider such an operation.

The Courtyard does already generate income from commission on the sale of artist's work exhibited in the gallery spaces. It must be realised though that this is never going to generate large sums of revenue for the organisation and, if anything, is an area of our work that is very important to us. It must also be noted that this area of our work is subsidised by the organisation and thus has a cost implication to us. The costs of mounting an event such as the Herefordshire Contemporary Craft Fair are enormous and it would be impossible for The Courtyard to bear the cost of hosting events of this nature even on a much smaller scale, and without the skills of a Visual Arts Officer.

## Section 12 Additional Space Requirements

The Board is grateful that the Scrutiny Panel has identified the need for additional space at the venue. This is a major issue in terms of how the organisation can continue to function in the building and just how successful the organisation has become in such a comparatively short period of time.

The Board would welcome the Council's support in helping to move forward as a priority the need to expand the building and address many of the capital issues that their report has identified. This is not a request from the Board that the Council should indeed fund this development but a request for it to be identified as a priority and supported in funding applications to other funders. The revenue implications for an expanded building are comparatively small compared to the income generating potential that the additional facilities could provide. This would give the county an even more impressive Centre for the Arts able to deliver and respond to the demand that has been identified. The Board and management of The Courtyard would welcome support from the Council to help realise the aspirations of the report outlined in paragraph 12.5.

## Section 13 Ticket Pricing

13.2 With regards to socially inclusive ticket pricing The Courtyard considers that it has always been mindful of the fact that Herefordshire has a comparatively low wage earning economy and always strives to ensure that its ticket pricing is socially inclusive. It operates a number of offers whereby people who are disadvantaged for what ever reason can purchase reduced price tickets at various times. All in-house productions have 'pay what you like' nights (which are to encourage people who have never been before to attend at little financial risk to themselves), and an evening when all seats are priced at £5.00. Children's and family shows have, more often than not, a family ticket offer available open to either one adult and 3 children or 2 adults and 2 children to attend at a discounted rate. Special offers exist for students through our Student Advantage Card scheme where students receive an SMS text message on the day of the event offering last-minute deals on available seats. We also offer a comprehensive range of concessions to senior citizens, students, unwaged, registered disabled patrons and children under 16. We consider our pricing policies to be in line if not better than the national provision.

#### Section 14 Visual Arts

14.1 The Courtyard is pleased that the Scrutiny Panel has identified the current water damage to the Gallery space as unsightly and detrimental to the display of work. The Board whole-heartedly concurs with their comments on a situation, which has been on going now for nearly 7 years!

14.2 The Courtyard accepts that the location of the Gallery on the top floor is not ideal being rather tucked away in the overall layout of the building. This can perhaps be addressed with the extension to the building with consideration being given to a dedicated gallery space on the ground floor. In the short term, we will consider improving the public signage to the Gallery spaces.

#### Section 15 Economic Impact

15.1 The Board is very pleased that recognition has been given by the Panel to the fact that the organisation makes a "significant contribution to the local economy". Cultural facilities are only just being recognised for this valuable role that they play in the local economy and work has been done recently by Sheffield University, funded by the Arts Council, to develop a national formula to measure this economic impact.

15.3 The Arts Council West Midlands has recently commissioned the same research team to undertake a similar exercise for all the theatres and arts centres in the region including The Courtyard. The results of this are expected shortly and will be fed back to the Scrutiny Panel once they are known.

#### Section 17 Building Maintenance



17.1 As a point of clarification, the Board wishes it to be noted that The Courtyard Trust has a full repairing lease on the building. The Sinking Fund is not for the day-to-day maintenance of the building as the Council has often been at pains to point out to the organisation. The Sinking Fund is primarily for the replacement of major plant and significant refurbishment. £13,000 is included in the revenue element of the grant to assist The Courtyard with the day-to-day maintenance of the building.

17.2 The Board feels it is unfair to state that the original agreement has been revised on several occasions with the net effect resulting in a reduction in the funds deposited in the Sinking Fund for essential repairs renovations and renewals. The only reduction in funds deposited is the direct result of the top slicing of the original agreed grant in order to enable the Council to meet the original overspend by the Trust taking on a significant loan. It is also misleading to state that the original agreement has been revised on several occasions because of financial problems; The Courtyard has never received any extra funding over and above its original Funding Agreement until 2004 when it received a one-off payment towards debt mitigation.

### Section 18 Conclusions

18.1 – 18.4 The Courtyard is in full agreement with the Scrutiny Panel in respect of the benefits The Courtyard brings to the County of Herefordshire. The only area prompting concern in this section is the suggestion that “the level of (in-house work) could be reviewed in the future as a way of potentially reducing costs”. This area of our work is funded directly by the Arts Council and is a core aspect which resulted in the uplift of funding by the Arts Council from 2003 as a direct outcome of the Boyden Report - The National Theatre Review. If there were any discussion of a reduction in this area of our work, it would result in a direct reduction, if not a withdrawal, of funding by the Arts Council and the likely loss of our Regularly Funded Organisation (RFO) status. This would be extremely detrimental to the future of The Courtyard, and to arts funding in Herefordshire as a county.

18.5 – 18.6 The Board recognises the significant level of funding contributed by the Council but firmly believes that it truly offers value for money in return as outlined in point 8.2 of our response. The Courtyard has come a tremendously long way since it opened in 1998; if it were not carrying the accumulated deficit, which has arisen from a variety of reasons, The Courtyard would be a significantly more robust organisation than it is currently. The last 2 years have seen the organisation returning a surplus, something that is rare in many arts organisations nationally. The Board welcome the Panel’s recognition that a significant reduction in funding would destabilise the organisation and the positive work that it has achieved to date.

18.7 The Board acknowledges that the Council has to make some difficult decisions in terms of its budget priorities, but we urge the Council to consider the implications of reducing the level of funding to The Courtyard at a time when it is still fragile and has only just stabilised its financial position. The Courtyard has only just last year negotiated a deficit reduction plan in

partnership with the Council, which could be destabilised by any reduction, including not receiving an index-linked settlement in the new financial year. Having received a one off investment from the Council in 2004 towards reducing the deficit it seems contradictory to then take some of this back in 2005 through a potential reduction. We firmly believe that through the Scrutiny report The Courtyard has more than demonstrated the value for money that it provides, particularly through the fact that the Council's investment now equates to 20% of The Courtyard's income where before it was 50%; however this is a very important 20%, as it acts as a lever for considerable amounts of additional funding from other sources. The other aspect demonstrating value for money is the extremely positive public response that the Scrutiny Panel received in both written and verbal presentations from users, stakeholders and members of the public.

18.8 The Board recognises the valuable work that is happening through its partnership with the Education Department and wishes to highlight that this has given additonality to our work and was not previously core to the service we were able to provide. It may be prudent to suggest that other departments such as Social Services for example could consider contributing towards the work we undertake with older people, vulnerable adults or people with disabilities etc. There is also the possibility of positively promoting the work of The Courtyard through the Herefordshire Partnership to member organisations such as the Primary Care Trust and the Community Safety Partnership, both of which could potentially be working more closely with The Courtyard in helping to meet their own objectives such as healthy living or crime reduction etc.

18.11 – 18.14 The Courtyard welcomes the move to a Commissioning Agreement as this will give a clear focus as to what the Council expects to be provided and what The Courtyard is focusing on in terms of its own priorities; Performance Indicators are clearly set out as an outcome of the Agreement. The Board requests the specific wording in paragraph 18.11 “to be clear on what services it (the Council) is purchasing”; should be changed, the reason for this is that it would make the ‘grant’ liable to VAT which would result in a considerable overall reduction in our funding (£53,600 in real terms). The funding needs to be given as a grant as is currently the case with a clear agreement simply on the areas the Council wish us to deliver.

The proposed Commissioning Agreement has been drawn up with close involvement of The Courtyard's Chief Executive and the Cultural Services Manager and reflects the aspirations for the next 3 years of both parties.

The Board welcomes the recognition of the Scrutiny Panel that a minimum 3-year funding agreement needs to be in place in order to give stability to the organisation and give confidence to our other funders.

As a voluntary, arms-length body the Board is somewhat concerned about the level of monitoring the Scrutiny Panel is suggesting in the report. The Courtyard already holds Quarterly Monitoring Meetings with the Council, which include representation from the Arts Council West Midlands Office, a

planned annual presentation to the Council Executive, and it is now suggested that we should also be making regular presentations to the Scrutiny Panel. The Board is keen to avoid the situation prevalent in other organisations, in which the efficiency of operation is reduced by an imposed necessity for multiple, often duplicated, reporting. The costs, both financial and in terms of time for the staff and Board of the Trust may in fact negate the very improvements sought.

## Section 20 Recommendations

20.1 The Board welcomes the findings of the Scrutiny Panel and the positive outcomes of their report, in particular the valuable contribution we make to the local community and to arts provision within the County.

20.2 Whilst accepting that The Courtyard should not be exempt from any efficiency savings within the Policy and Community Directorate, the Board urges that careful consideration be given to this in the light of points raised in the report by the Scrutiny Panel itself and in the light of further comments made in our response. Any cut, whether in the form of standstill or further reduction, will affect the ability to deliver the deficit reduction strategy and necessitate reconsideration to areas of the Commissioning Agreement.

20.3 The Board accepts this is a matter for internal debate within the Council

20.4 The majority of these suggestions are discussed within the body of our response.

20.5 The Courtyard Board made strong representation to the Cabinet as to the reasons why an interim 1-year Funding Agreement would be detrimental to the organisation as did the Arts Council. A copy of the letter is attached as Appendix A. The Board also felt strongly that the recommendation contradicted the evidence and findings in the main body of the report where the Scrutiny Panel realised the agreement needed to be for a minimum of 3 years (paragraph 18.3)

20.6 The Courtyard is happy to report back in November 2005; however 6 months is a comparatively short space of time for many of the suggested actions to have been effective, particularly where many of them carry considerable capital outlay to enable them to take place.

20.7 – 20.8 The Board considers that these two recommendations have been addressed during the Cabinet meeting on the 17 February 2005.