

# Report

**Subject** : Development of Robust Plans for Efficiency savings with the Major Arts Organisations.

**Report to** : The Cabinet

**Date** : Wednesday 13 December 2006

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**Cabinet Member for Community and Housing** : Councillor Cole-Morgan

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**1 Matter for consultation:**

To update members regarding the progress that is being made to develop robust plans for efficiency savings with the Major Arts Organisations as identified in the Medium Term Financial Strategy.

**2 Introduction and background:**

- 2.1 In the medium-term financial strategy, the cabinet looked at a reduction of £95K in the major arts budget, but having listened to the arts organisations on the problems that this would create, reduced it to £50K
- 2.2 At the full council meeting on 20 February 2006, the Community & Housing Portfolio Holder confirmed that the cabinet had agreed to a years deferral of the imposition of the £50K reduction in the major arts grants budget, so that it would not now come into effect until the financial year 2008/09, thus giving the three major arts organisations on 3 year service agreements (Salisbury Arts Centre; Salisbury International Arts Festival and Salisbury Playhouse), two full years in which to take ameliorating action.
- 2.3 The principle behind the proposed reduction in the budget was to try and get the three organisations to work more collaboratively and to look at opportunities to both integrate arts services and procure services in a more economical way broadly in line with the local government efficiency agenda and procurement strategy.
- 2.4 To be proactive the council agreed to work in partnership with the arts organisations putting its own arts development service and entertainment facility into the pot to help them find ways in which the savings can be made that will have the least impact on the overall service to the public.



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- 2.5 Following initial discussions, officers came to the conclusion that by just imposing a budget cut on the organisations based on a predetermined formula similar to that used to establish the existing funding agreements would not lead to a more collaborative way of working and could instead result in the possible closure of one or more of the organisations. It became evident that the only realistic route was to commission a consultant to undertake an independent review the business operation of the organisations and produce a report with recommendations identifying opportunities for collaborative working, economies of scale and procurement efficiencies that can then be agreed and actioned.

### **3 Progress to date:**

- 3.1 The consultant has now completed the work and submitted a report with recommendations. (a copy has been placed in the Members Room for reference)
- 3.2 The report looks at the business operations of the organisations and identifies potential opportunities for joint working and/or procurement, which could make financial savings. It also identifies collaborative opportunities for the provision of arts services to avoid duplication, thus reducing costs.
- 3.3 At one end, the report identifies opportunities for MAO's to reduce specific areas of expenditure within their individual set-ups. At the other, savings may be identified through a wholesale restructuring of the governance structures upon which the various cultural activities, currently presented by the Festival, Playhouse and Arts Centre, are presented to the public.
- 3.4 In summary the report concentrates on four main elements:
- Procurement savings - outlines areas where savings have been identified, or where there is some evidence that policy changes could generate additional income
  - Income Generation - outlines ongoing plans by the MAO's to increase net income, and demonstrates their twin approach to tackling a projected shortfall in funding by 2008
  - Infrastructure Development - outlines general options where greater organisational change and collaboration is required in order to achieve further tangible efficiencies and benefits
  - Salisbury District Council support - sets out SDC areas where its support could assist the MAO's in achieving their targets.
- 3.5 The consultant has produced a Schedule to fit in with these timescales and recommends that that a series of working groups are set up with terms of reference, enabling officers to produce a report for the 2008/09 budgetary consultation processes.
- 3.6 The council is committed to play its part in supporting jointly agreed priorities and outcomes. The council's Procurement Officer has agreed to support the MAO's to review and negotiate new service and supply contracts. The Principal Arts Officer will also support the MAO's by co-ordinating the meetings of the proposed Working Groups
- 3.7 In financial terms there is no guarantee that the savings can be achieved. The consultant estimates that it may be possible for to generate £14K through procurement savings with a further £14K dependent on decisions made by the Council primarily relating to an alternative use for parts of the Guildhall. The essence of the report is that to generate the savings identified will require the three MAO's to make some quite radical changes. The onus is really on the MAO's to agree to real collaboration, finding the means to work together, agree and implement changes by Spring 2008, however challenging or unsettling the process is.
- 3.8 From a council perspective members need to appreciate that to achieve all the savings identified, the MAO's will be expected to make *'brave and uncomfortable decisions, the outcome of which provides little in the way of benefit, certainly in relation to the increased risks they will have to face'*.
- 3.9 The consultant also emphasises that the council will need to recognise that in some cases *'the recommendations constitute additional work for those responsible. In order to carry these out, the MAO's may be forced to reduce workloads or activities in other areas, even if temporarily, in order to implement actions that will lead to the savings required.'*
- 3.10 The consultant goes on to state however that:  
*'Radical changes, led by those with the vision to focus on the purpose of the changes required, are necessary. In many ways it is hoped that this report will be perceived as more than a straight*

*forward efficiency saving exercise, shaving a few pounds off budgets here and there to balance the books for another year. Instead, while beginning with this approach, it is extended to consider much more radical changes that could lead to the creation of a new format for the more sustainable management of a thriving cultural programme for Salisbury and district.*

*Such change will require brave decisions. People and organisations will feel vulnerable in implementing changes. These will only work if they can take place in a climate of support. If it wishes to enjoy the longer-term financial and economic benefits arising from a healthy arts scene, then the District Council has much to gain through supporting the programme of change. It should not set out to continually reclaim any savings achieved during this time, as this will destroy any chance of arriving at the greater objective - an arts infrastructure that the city can afford.'*

#### **4 Alternative Strategy:**

- 4.1 The MAO's are aware that the council would prefer to view the reduction as an efficiency saving, hoping that the MAO's can find appropriate ways to operate existing levels of service at less costs.
- 4.2 However the consultant makes it clear that there is no guarantee that the savings will be forthcoming. In which case it has been agreed that the MAO's should, if required, have the opportunity to jointly suggest the criteria for the equitable allocation of a reduction in funding in the event of the efficiency savings identified being less than £50K
- 4.3 The MAO's are however, aware that if they are unable to reach agreement on efficiency saving, and/or where funding should be reduced, the Council will make those decisions, perhaps using different criteria to those of the MAO's.
- 4.4 Bearing in mind the fact that to achieve the entire saving of £50K, some quite radical changes are going to have to be made, it is proposed that the Portfolio Holder for Community & Housing receives quarterly progress reports in January, April and July from each of the three MAO's. The Portfolio Holder can then be kept up to date with progress and be able to determine when it would be appropriate to consider the criteria for the equitable allocation of a reduction in funding in the event of the efficiency savings identified being less than £50K.

#### **5 Recommendations:**

The Cabinet is requested to :

- (1) Note the report.
- (2) Request that officers write to all three Major Arts Organisations with a request that they consider the recommendations of the consultants report and find the means to work together, agree and implement changes by Spring 2008.
- (3) That each of the MAO's be requested to produce quarterly progress reports in January, April and July
- (4) That the Portfolio Holder for Community & Housing be kept up to date with progress on a regular basis

#### **6 Implications:**

**Financial:** The MTFS clearly states that there is a requirement to deliver a £50K saving from the Major Arts Grants Budget. If over a period of time it becomes apparent that insufficient efficiency savings are forthcoming then the council will need to determine a criteria by which the grant of each organisation is to be reduced to meet the outstanding amount. It is suggested that this decision will need to be made by no later than July 2007.

**Legal** : none at this stage

**Personnel** : none

**Community Safety** : none

**Environmental** : none

**Human Rights** : none

**Ward(s) Affected** : All