

Cheltenham Borough Council
Social & Community O&S – 8 November 2010
Economic & Business Improvement O&S – 29 November 2010
Report of the Joint Overview & Scrutiny Festivals Working Group

Accountable member	Cabinet Member for Sport and Culture, Councillor Andrew McKinlay
Accountable officer	Strategic Director, Grahame Lewis
Accountable scrutiny committee	Social & Community and Economic & Business Improvement
Ward(s) affected	All
Key Decision	No
Executive summary	<p>The working group have undertaken a detailed appraisal of Cheltenham Festivals' current 3 year business plan. It has assessed whether a financially sustainable future is achievable for Cheltenham Festivals, and if so how any potential negative financial impacts on the Borough Council could be mitigated.</p> <p>It is important to CBC that Cheltenham Festivals develop complete financial independence as early as possible and with their projected increase in turnover they should become less reliant on the Council reasonably quickly. However this drive to complete independence needs to continue in a planned and measured way and will therefore need to be properly evidenced in their business plan and supported by CBC.</p> <p>Given the above, the Joint Overview & Scrutiny review group therefore recommend that:-</p> <ol style="list-style-type: none"> 1. A report be considered by Cabinet which outlines how a more flexible and sustainable future use of Imperial and Montpellier Gardens can be developed. 2. A further review is undertaken of the existing Town Hall catering arrangements to ensure greater flexibility of use by Cheltenham Festivals. The original contract has been extended until August 2012. 3. Cabinet ensures that Cheltenham Festivals are clear about the on-going financial impact regarding the use of their newly acquired Tessitura box office system. 4. A joint strategic cultural plan for the town is developed as part of the 2011/2012 Corporate & Community Planning process. 5. Cabinet consider delaying any reduction to the grant until 2012 as part of the budget setting process, following a request by Cheltenham Festivals. 6. That appropriate monitoring arrangements are put in place which can be assessed by Cabinet and Overview & Scrutiny at regular intervals in the future as set out in 4.5.

Financial implications	<p>The current level of funding, built into the Medium Term Financial Strategy is £109,200 per annum. Support in kind of approximately £150,000 per annum is also provided to Cheltenham Festivals.</p> <p>The financial impact of Cheltenham Festivals purchasing their own box office system will need to be considered as part of the 2011/12 budgets. Future levels of funding will always be subject to the annual budget setting process and satisfactory performance.</p> <p>Contact officer: Sarah Didcote, Group Accountant Sarah.didcote@cheltenham.gov.uk 01242 264123</p>
Legal implications	<p>The current grant agreement with Cheltenham Festivals expires on 31 March 2011. Any grant funding beyond that date will be the subject of an appropriate legal agreement, based on the Community Investment Grant format. The agreement can include any monitoring arrangements and performance indicators as required by the Council.</p> <p>Contact officer: Nicolas Wheatley Nicolas.wheatley@tewkesbury.gov.uk 01684 272695</p>
HR implications (including learning and organisational development)	<p>The further review of the Town Hall catering arrangements to ensure greater flexibility of use by Cheltenham Festivals may result in human resources impacts; however these will become clearer as the review progresses. Trade Union engagement at an early stage is recommended. Cheltenham Festivals took over the running of their own payroll in April 2010. A particular employment arrangement exists which continues to work well for both CBC and CF and is not proposed to cease or change, however the arrangement need to be considered and clarified for the longer term in particular with regard to any future financial implications.</p> <p>Contact officer: Amanda Attfield, Assistant Director Human Resources & Organisational Development Amanda.attfield@cheltenham.gov.uk 01242 264186</p>
Key risks	
Corporate and community plan Implications	<p>Enhancing and protecting our environment. Strengthening our economy. Enhancing the provision of arts and culture.</p>
Environmental and climate change implications	<p>Re-designing the open spaces in both Imperial and Montpellier Gardens to provide greater flexibility for future CF use, and at the same time enhancing the quality of the gardens for general public use will require sensitive consideration of the full range of environmental and climate change issues. This will also be an ideal opportunity to consider the wider question of sustainable planning. Full engagement and consultation with the local community and stakeholders regarding potential design solutions will be a key component of the exercise.</p>

1. Background

- 1.1** Cheltenham Festivals are an important and valuable partner for the Borough Council. Over the past 10 years the relationship between the Council and the Festivals has changed and the use of LABGI monies has enabled the Festivals to break free of CBC control and establish itself as a major cultural player in the UK. Cheltenham Festivals have now set out a range of strategic objectives within their 3 year business plan that will enable them to take the final step to become a sustainable independent organisation able to develop a thriving Festivals Programme for the town.
- 1.2** The Borough Council recognises that the future economic prosperity and vitality of the town is inextricably linked to a successful Festivals operation. As well as the LABGI capital funding, the Council has provided Cheltenham Festivals with funding via its Community Investment Grant mechanism and in kind support from Council employees. This has helped to provide a degree of financial stability during the move towards an independent and sustainable future. The current grant ends in March 2011.
- 1.3** Therefore, with increasing pressures being placed on public finances and the desire of Cheltenham Festivals to gain greater independency, the time was right to consider how both organisations can benefit from an on-going symbiotic relationship.
- 1.4** During 2009, a Joint Overview & Scrutiny Review was established in order to assess how this strategic alliance needed to be developed. Two members were seconded from both Social & Community and Economy & Business Improvement Overview & Scrutiny Committees.
- 1.5** The Review Group has been chaired by Councillor Duncan Smith and supported by Councillors Barnes, Rowena Hay and Surgenor. It however should also be recognised that Councillors Rawson & Hutton played a valuable role at the start of this work.
- 1.6** In addition, Social & Community Scrutiny Committee established a panel to review the SLA with the Festivals and their record of achievement over the past 3 years which is reporting back separately.

2. Scope of the Review and Terms of Reference

- 2.1** In order to understand what kind of organisation Cheltenham Festivals aspires to be and how that vision relates to the Borough Council's strategic plans for the future, a series of workshops were convened to clarify members' thoughts.
- 2.2** Recognising the independent status of Cheltenham Festivals the two key areas for concern were identified:
 - (i) to seek re-assurance that the Council's finances would not be negatively impacted by the future plans of Cheltenham Festivals and
 - (ii) that the plans for future growth were robust, realistic and sustainable and supported the aspiration of full independence from CBC.

A scoping report was subsequently developed and flowing from this emerged the following Terms of Reference:

1. Review of future funding arrangements in light of no further LABGI monies being available.
2. How are the strategic plans of the Council and the Festivals to be aligned in the future?
3. What impact does this have on the Council's MTFS?
4. What are the future business plan priorities for the Festivals and how are they to be funded?
5. How can both organisations ensure that a balanced cultural offering is developed and which supports both?
6. How do other plans such as redevelopment aspirations and future use of Imperial Gardens fit

into the work of Civic Pride?

3. Consultation feedback

- 3.1** The Review Group has met 8 times with 3 joint meetings being held with Cheltenham Festivals.
- 3.2** The initial meetings were complicated by the discussions that surrounded the tender exercise for a new Box Office system at the Town Hall which is used by both Cheltenham Festivals and the councils own entertainments section.
- 3.3** A joint specification was devised but during the tender process it became obvious that the needs of the two organisations were different. The scrutiny working group examined the process and the Council's preferred choice. It also met with Cheltenham Festivals to establish if there was scope for a joint purchase but concluded that their additional needs ruled this out. The working group supported the cabinet members' recommendation to purchase INFX as the most cost effective option for the Council.
- 3.4** The decision of the Festivals Board to purchase their own box office software has had a major impact on subsequent discussions. Tickets will no longer be sold on the CBC box office and this impacts on the revenue streams to both organisations and their ongoing staffing needs. It is important that the Cabinet ensure that both CBC and CF fully understand the financial implications of these decisions.
- 3.5** As time has progressed it has become increasingly apparent that while reflecting the agreed Terms of Reference the Review Group should also consider the emerging future of Cheltenham Festivals' 3 year business plan and ensure that it is financially deliverable and reflects the change to the Box Office arrangements. To that end the Business Plan was discussed by the working group and a series of issues raised with Cheltenham Festivals in September 2010. (**see Appendix 2**).
- 3.6** On 19 October 2010, Cheltenham Festivals outlined their business plan to the Review Group. Using up-to-date information specifically regarding projected growth targets, they discussed in detail the financial projections and how the plan would be implemented. Members challenged various assumptions made by Cheltenham Festivals and were satisfied that issues raised were answered satisfactorily.
- 3.7** A number of key issues were identified that need resolving urgently in order to progress the business plan:
- (i) The growth of the festivals will require a more flexible use of the green spaces in the centre of town, namely Imperial Square and Montpellier Gardens. Detailed discussions have been had between officers, members and CF but it is important that this is set down in an agreed strategy so that there is clarity and understanding. There may need to be additional consultation with residents. Cabinet should consider the agreed strategy before the end of the year to enable sufficient time to make adequate preparations.
 - (ii) Catering offered to festival go-ers at the Town Hall has improved in recent times. However the growth of the festivals, both in terms of numbers and the expectations of the customers, means that this needs to be urgently revisited as soon as possible. The catering contract is due for review in 2011 and CF should be included as key stakeholders in that process.
 - (iii) At a time when CBC is developing a commissioning approach to services it should be noted that the CF Board are keen to be included in any discussions that relate to the management or outsourcing of cultural activities by CBC.

4. Performance Management monitoring and review

- 4.1** The Review Group have recognised that the Cheltenham Festivals Board shared information that, in other circumstances, would not be expected of an organisation independent of the Council.

Currently, they are subject to regular quarterly monitoring meetings with officers and cabinet members, scrutiny SLA review and the current Review Group as well as reporting through to Social & Community Overview & Scrutiny Committee on an annual basis.

- 4.2** The level of involvement and the time spent by CBC officers, members and Cheltenham Festival staff has been appropriate in getting the two organisations to this point. However as we move forward and a new investment grant is considered, it is imperative for CBC to pull back and reduce the level of involvement and monitoring.

- 4.3** It is important that a joint strategic cultural plan for the town is developed between CBC and CF as part of the 2011/2012 Corporate & Community Planning process.

- 4.4** Overview and Scrutiny is an appropriate place for the relationship to be monitored and reviewed.

- 4.5** Consequently the Review Group:

- (i) offer that a standing group of 3 members, drawn from Social & Community Scrutiny Committee, be established. The purpose would be to work with the cabinet deputy and review/monitor the ongoing relationship. A series of performance indicators should be included as part of the Community Investment Grant Monitoring process. This will assist in tracking the consolidation and growth of Cheltenham Festivals.
- (ii) that regular contact be maintained at officer level via Gary Nejrup in order to develop the cultural strategy and maintain the cultural offering in the town.

5. Finance

- 5.1** The financial projections contained within the Business Plan are based on a number of assumptions including the renewal of the £109k Community Investment Grant from CBC. The plan forecasts a breakeven year in 2011 followed by 2 years of profit.

- 5.2** While the Review Group consider that the assumptions made are robust, the current economic uncertainties provide an element of risk that the projections may not be achieved.

- 5.3** The Arts Council also provides financial support to the Festivals. Despite cutbacks in the current year, there is potential for Cheltenham Festivals to get increased support post Olympics. However this will need an ongoing strong cultural partnership with CBC and ongoing support from the Borough.

- 5.4** The Review Group also recognises that the financial constraints now imposed on CBC by the spending review may require the Council to address the level of funding made available during the period of the MTFs.

- 5.5** The dilemma for CBC is therefore a difficult one. The goal of financial independence is a long term aim that will be secured only if changes to CBC funding are made sensitively and in tandem with the progress of Cheltenham Festivals. Cheltenham Festivals reported that a reduction of the grant in 2011 could jeopardise the break even year and the investment that is needed to move in to profit in subsequent years.

5.6 Consequently the Review Group recommend to Cabinet that they consider delaying any reduction to the grant until 2012 .

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Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Working Group Briefing Note - Review of Cheltenham Festivals Business Plan 2011-2013
Background information	

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If Cheltenham festivals do not achieve sustainable financial stability then an unacceptable additional financial burden will be placed on the Borough Council.	CF	2/11/10	4	3	12		CBC must put in place robust monitoring arrangements and review progress, ideally on a monthly basis.	01/01/11	SP / CF	
	A substantial loss or reduction of the Festivals programme will have a serious negative impact on the local economy.	CF	2/11/10	3	3	9		Ditto.	Ditto	MQ / CF	
	If CF business plan not delivered on time and within budget then the reputation of the organisation will be seriously impacted.	CF	2/11/10	3	3	9		Ditto	Ditto	CF	
	If the scheme to enhance the garden spaces of Imperial and Montpellier are not implemented within the next nine months then the festivals activity will be significantly curtailed resulting in a substantial loss of revenue.	CF	2/11/10	4	4	16		Draft proposals need to be developed and a process of engagement agreed by end of December 2010	31/12/10	RB / CF	

Guidance

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;

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- Potential adverse equality impacts from the decision;
- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision;
- Legal risks arising from the decision.

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the need to review objectives, options and decisions on a timely basis should these risks arise.

Risk ref

If the risk is already recorded, note either the corporate risk register or TEN reference.

Risk Description

Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

Risk owner

Please identify the lead officer who has identified the risk and will be responsible for it.

Risk score

Impact on a scale from 1 to 4 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk.

Control

Either: Reduce / Accept / Transfer to 3rd party / Close.

Action

There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

Responsible officer

Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

Transferred to risk register

Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on.