

**Draft Summary Business Case for the Hampshire Solent Cultural Trust –  
version 4.4 September 2013**

**1. Executive Conclusion**

1.1 It is proposed that Hampshire County Council and Winchester City Council come together to create a Hampshire Solent Cultural Trust with the capacity to champion a bold vision and facilitate wider partnership working, while playing its part by delivering quality arts and museum services on behalf of Hampshire and Winchester residents.

1.2 The Hampshire Solent cultural cluster is one of the richest in the UK, and plays a key role in driving the visitor economy and strengthening sense of place that encourages business investment. In the current economic climate, traditional models of local government funding are under significant pressure. Innovative solutions that centre on integration and strategic partnership are required to secure a bold economic ambition for culture into the future to:

***Position the Hampshire Solent cultural offer  
In the UK Top Ten by 2020***

1.3 In January 2011, Hampshire County Council, Southampton City Council and Winchester City Council agreed to investigate an integrated solution to addressing the following business drivers in comparison with individual service options:

- Retain a bold ambition for cultural heritage into the future and protect previous investment
- Deliver an appropriate level of resilient savings to partner authorities within a 5-10 year timescale

An initial review of governance options identified the charitable company limited by guarantee as the preferred model, and in January 2012, the 3 partner authorities approved preparation of this detailed business case to test the preferred option. Arts Council England (and its predecessor, MLA) has provided strategic and funding support throughout this process.

1.4 The business analysis considered 3 options:

- A. **A Fully Integrated Merger of the 3 partner authorities into a Hampshire Solent Cultural Trust**, working in strategic partnership with the wider cultural heritage sector
- B. **A Partially Integrated Merger of the 3 partner authorities into a Hampshire Solent Cultural Trust**, working in strategic partnership with the wider cultural heritage sector
- C. **A Fully Integrated Merger of Hampshire County Council Arts and Museums and Winchester City Council Museums into a Hampshire Solent Cultural Trust**, working in strategic partnership with the wider cultural heritage sector

These options have been compared with each Arts, Museums and Heritage Service remaining as a separate local authority service.

- 1.5 The business case concludes that the development of a Hampshire Solent Cultural Trust (options A, B and C) achieves the best performance against the business drivers identified in 1.3, delivering a dynamic brand with national profile that achieves long-term savings for its founding partner authorities. Having reviewed the outcomes of the business analysis, Hampshire County Council and Winchester City Council are interested in proceeding. Options involving the integration of Southampton City Council are not achievable in the current economic climate given the financial constraints under which they are operating. However, there is continued appetite for strategic partnership working from Southampton and other cultural organizations, including Portsmouth City Council, for targeted projects. It is proposed therefore that Option C in 1.4 above is taken forward.
- 1.6 In summary the key long-term benefits of a Hampshire Solent Cultural Trust delivering arts, heritage and museums services are:
- Financial efficiency (including tax efficiencies, increased earned income, external investment)
  - New sources of expertise and resources engaged in running services
  - Delivery of a vision and ambition across geographic boundaries

There are risks of the unknown and the new business will be vulnerable, particularly in its early years. However, if these risks are recognized at the outset and the Trust is established in the best way to accommodate these (expertise and skills, support in the early years etc.), the potential benefits are of great significance particularly in the current local government funding climate.

## **2. A Shared Ambition**

- 2.1 Hampshire County Council (HCC), Southampton City Council (SCC) and Winchester City Council (WCC) came together in January 2011 to investigate the opportunity for integrating their arts, museums and heritage services. Arts Council England (and its predecessor, Museums, Libraries and Archives Council (MLA)) has given strategic and funding support to this initiative since 2010.
- 2.2 The partner organizations share a fundamental belief that dynamic cultural activity supports economic prosperity through attracting business and visitor investment and inspiring local people. They have an excellent track record of delivering on these outcomes over many years and wish to protect investment and ensure it can be built on in the longer-term in line with strategic plans already defined.

2.3 However, in this period of economic austerity these organizations are not in a position to continue investing in this cultural heritage to the same level over the next 5-10 years. An inevitable 'spiral of decline' in service excellence would be the outcome of a decision to 'do nothing'. The proposal to create an integrated service delivered within the framework of a charitable company limited by guarantee (with associated trading arm) is under consideration to determine whether it best meets the following shared business needs of each to:

- Retain a bold ambition for cultural heritage into the future and protect previous investment
- Deliver an appropriate level of resilient savings to partner authorities within a realistic timescale

The proposed working name of the new organization is Hampshire Solent Cultural Trust.

2.4 In 2011, a Steering Group was established with senior officer representation from Hampshire County Council, Southampton City Council and Winchester City Council. Anne Millman, Business of Culture and Eversheds undertook an initial financial evaluation and review of governance. In January 2012, the three partners approved the preferred option as the establishment of a charitable company limited by guarantee. Focus Consultants were appointed to support preparation of a detailed business case and The Susie Fisher Group to undertake research into stakeholder and public attitudes towards the current cultural heritage offer delivered and responses to the initial proposal of a Trust.

2.5 As an outcome of the above work, it is proposed that a Hampshire Solent Cultural Trust will create a brand that raises the profile of greater Hampshire's cultural heritage. It would champion a vision to:

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This vision is of significant economic value to the ambitions of Hampshire, Winchester, Southampton and wider partner areas. The Trust has the potential to retain the necessary capacity to facilitate partnership working and joint fundraising required to make it happen. The Trust will also be able to support wider skills for employment and wellbeing agendas.

### **3. Public and Stakeholder Viewpoint**

3.1 Hampshire County Council, Southampton City Council and Winchester City Council set out to discover the level of support for setting up a charitable trust to deliver their Arts, Museums and Heritage Services. Independent consultants, The Susie Fisher Group, undertook a multi-stranded study. This included conversation with service users, non-service users as well as external stakeholders to the service. The aims

were to understand current levels of satisfaction with Arts, Heritage and Museums Services; to investigate spontaneous responses to the Trust proposal; to assess its strengths, weaknesses and to evaluate the level of public support. The key findings from the study are outlined below:

### ***Satisfaction with Current Service***

- 3.2 Satisfaction rating with the current service was good, with 72% of the Audience and 75% of Stakeholders expressing satisfaction. The consultation has shown that, in general, both Audiences and Stakeholders are prepared to support the Trust.

### ***Initial Responses to the Trust***

- 3.3 Almost half of all those consulted will want more detail and tangible reassurance that the system can be made to work. The main concerns include the loss of local voices, venues and identity; regional rivalries wrecking the system; and that those that seek to implement the change have the required management, leadership and enterprise competencies. Many recognized that the time was right for action by the three partners otherwise the services would inevitably decline.
- 3.4 Audiences and stakeholders share similar hopes for the Trust in that it will result in the positive pooling and sharing of resources as well as dramatically better marketing and IT. Only professional stakeholders and more frequent service users hold a more realistic ambition to achieve an improved quality and scope of the service under the new system. The majority of those consulted are more focused on protecting the current service. Art goes, by contrast, see change as a route to higher quality exhibitions and performances.
- 3.5 The vocabulary of merger – “integrate, combine, single cultural voice” – does not motivate the public audience as it suggests cuts. Audiences want to hear a more positive vocabulary – “support, protection, cross fertilization, energy”. The idea is to strengthen variety and identity across the County. Senior stakeholders however can better see the value in a single strong cultural voice for Hampshire.

### ***Stakeholder Relationships***

- 3.6 More local, community orientated stakeholders had more developed relationships with the three local authorities’ arts, heritage and museum services but these relationships often operated at a more functional than strategic level. A primary concern for these stakeholders relates to how these relationships will continue into the future. External stakeholders working on a larger canvas often had less developed and less satisfied relationships, finding the lack of coherence and strategy to be a barrier when working with Hampshire-based council run arts, heritage and museum services.

### ***Planning for the Future***

- 3.7 There is enough public support for a Trust to be established and there is no outright hostility to this proposal from stakeholders as long as the

Councils' address concerns raised and provide further detail during the implementation phase. During this phase, an important Audience group to target relates to older regular users. An important Stakeholder group to target is the more locally minded, smaller-scale organizations that currently perceive they have more to lose than to gain.

#### 4. Options Considered

4.1 Various organizational options were considered during 2011 and scored in terms of resilience, benefits and risks. The options reviewed are as follows:

- Charitable company limited by guarantee
- Joint Venture Company
- Shared administrative service hosted by 1 local authority partner
- Outsourcing of individual partner services to commercial organizations/ charitable trust
- Do nothing (status quo) – traditional model of local authority delivery

4.2 The recommended governance option at this stage was a charitable company limited by guarantee, on the basis for example that it secures a balance between retention of sufficient control whilst achieving flexibility to engage with the wider market, secure efficiencies and economies of scale and obtain the benefit of wider expertise and resources. A trading arm may be established to manage commercial activities on behalf of the Trust.

4.3 While the full integration of arts, museums and heritage services was initially the preferred option (option A), it was decided in October 2012 that other options should be compared and contrasted to assess financial benefits and risks. These options considered:

- Option B: a fully integrated merger of Hampshire County Council Arts and Museums and Winchester City Council Museums, and a partially integrated merger of Southampton City Council Arts and Heritage professional services (exhibitions, collections, learning, strategic development, fundraising)
- Option C: a fully integrated merger of Hampshire County Council Arts and Museums and Winchester City Council Museums, working in formal strategic partnership with a range of cultural partners on specific projects, including Southampton City Council

These options were compared with the governance 'Do nothing' option in which each arts, heritage and museums provision remains a separate local authority service.

4.4 The present direct delivery scope proposed for the Hampshire Solent Cultural Trust is centred on arts and museums services with an appetite for integration. Lessons learnt from elsewhere suggest that large cultural trusts established at the outset may have a greater risk of

failure. The starter set of services proposed have a logic based on current partnership working and proven ability to attract external investment. These foundations will give the best chance of success in the early years. Once the Trust is established, its role has the potential to develop further in terms of a wider cultural offer.

## 5. Financial Appraisal

5.1 The specific financial benefits and costs associated with a charitable company limited by guarantee are:

- Decrease in NNDR costs (advantage to Trust)
- Gift aid opportunities
- Increased earned income potential
- Accessing new funding from trusts and foundations, corporate donors and individual philanthropists
- Increase in costs through VAT on some expenditure

These benefits and costs have been factored in to the financial modeling undertaken.

5.2 The proposed Trust is a long-term partnership initiative that retains service excellence (ambition) and delivers savings. Hampshire County Council and Winchester City Council, in proceeding with the transfer of arts and museums services, would be committing to a long-term arrangement in terms of operations and assets, with a rolling funding agreement.

5.3 The financial benefits outlined in 5.1 take time to develop and it is in the best interests of the founding authorities to nurture the Trust in its early years of business whilst securing necessary efficiency. The returns in the longer term are the strategic benefits outlined in section 2, the potential external investment outlined in section 8 and the fact that the Trust will be looking after founding authority owned assets.

5.4 The financial appraisal has therefore assumed that:

- The founding authorities enter into a minimum 10-year funding and management agreement with Hampshire Solent Cultural Trust, with specific funding arrangements confirmed for years 1-5, and arrangements for years 6-10 confirmed by year 4. Renewal of funding and management agreements for years 11-20 would be agreed during a review in year 7.
- Years 1-5 funding agreement recognizes that savings requirements are back loaded as follows:
  - Year 1: 2% reduction in cash limit from Year 0
  - Year 2: 2% reduction in cash limit from Year 1
  - Year 3: 2% reduction in cash limit from Year 2
  - Year 4: 10% reduction in cash limit from Year 3
  - Year 5: 2% reduction in cash limit from Year 4

- 36 months notice by Hampshire County Council and Winchester City Council of significant change / termination of funding/ exit from agreement, with all reasonable costs incurred by exiting party
- 5.5 A 5-year proposed income and expenditure profile has been modeled for each Trust option based on the assumptions in 5.4 above to allow for comparison. The model for option C, the recommended option, is attached as appendix 1a to this summary. It is not a detailed budget, and this will be constructed as part of the implementation stage if a decision in principle is made to proceed.
- 5.6 Additional assumptions include:
- The level of arts and museums services provided by year 5 is the same as in baseline year (2013/14) i.e. no venue closures or reduction in service assumed, with noticeable enhancement of offer in the areas of public programming, marketing, digital and fundraising.
  - The Trust will receive full benefit of the 80% NNDR relief for which the Trust is eligible to reinvest in operating budgets in order to drive up the enterprise dividend and attract external investment. It should be noted that this represents reduced business rates income to Hampshire County Council of c. £40,000 per annum and to Winchester City Council of c. £30,000. This matter is also relevant to district and borough council partners, and will be discussed in detail as part of overall funding and strategic discussions during the implementation phase.
- 5.7 As part of the sensitivity analysis undertaken, a second financial model has also been prepared which takes a cautious approach to modeling risks, including realizing the full 80% NNDR and earned income targets. The cautious modeling for option C is attached as appendix 1b to this summary. Although financial performance is less strong, predicting a £175,000 per annum deficit if no mitigation undertaken by year 5, this still compares favorably to that of the 'do nothing' option which predicts a £463,000 per annum deficit by year 5 with significantly fewer options for mitigation, using the same savings profile identified in 5.4. Therefore option C has the best chance of ensuring a long-term resilient future for arts and museum services in Hampshire and Winchester.
- 5.8 The Trust will need to have at least 12 weeks operating budget in the Charity Bank Account in order to officially establish and sustain. With the Trust operating budget proposed at over £7 million during year 1, the organization would require at least £1.6 million available upon transfer of services. This requirement may require the founding authorities at least in the early years to transfer the full year 1 grant on transfer of services, and remaining grant funding 6 months in advance for year 2 onwards. Financial modeling indicates that the Trust will over time build its own reserves (currently estimated at c. £400,000 by end of year 5, based on lower end income targets and excluding external investment opportunities). Rigorous financial monitoring by the Trust

and founding local authorities will be required, particularly during the early years.

## 6. Central Support Services

6.1 Hampshire County Council will transfer c. 90 ftes to the Trust and Winchester City Council 10 ftes. It is therefore proposed that the County Council provide all central support services to the Trust as an integral part of the grant agreement. Initial feasibility work has determined that this will require marginally less central support resource than presently with potential to reduce further through efficiencies, especially in terms of IT, identified during the implementation phase and early years of operation.

6.2 The following table estimates the costs for support services by option and compared to current Hampshire County Council costs.

Support Services	HCC Current Model	Option A	Option B	Option C	
Finance	£107,900	£98,000	£75,000	£74,000	
HR	£99,400	£77,000	£70,000	£68,000	
IT	£195,000	£400,000	£290,000	£250,000	
Legal	£50,000	£80,000	£60,000	£55,000	
Architectural Consultancy	£75,000	£75,000 – same cost for all options			
Property including FM	Repairs and maintenance remains the responsibility of owning local authority				
Marketing inc Business Development Consultancy	£25,500	£25,500 – same costs for all options			
Risk & Safety	£30,000	£30,000 – same costs for all options			
<b>Total</b>	<b>£583,000</b>	<b>£785,000</b>	<b>£625,000</b>	<b>£578,000</b>	

## 7. Set Up Costs

7.1 Exceptional one-off costs of setting up the Trust for Hampshire County Council have been calculated as £264,000 and for Winchester City Council as £26,000.

7.2 A series of specific tasks and costs have been identified to take the preferred trust option successfully through the transition phase, as per

the table below. Where a range of figures has been provided the highest figure has been used to reflect the worst-case scenario.

Set Up Costs - Key Transition Tasks	Option A	Option B	Option C
Recruitment/expenses to Interim Trustee Chair	6,600	6,600	6,600
Staffing costs -Interim Executive team	70,200	24,000	N/A
Branding and Communications	20,000	20,000	17,000
Appointment to Trustee board & training	24,500	24,500	22,000
Appointment of Executive team	41,500	N/A	N/A
HR actions	74,000	70,000	67,000
Legal actions	59,200	59,000	54,000
Finance	38,000	33,000	30,000
IT set up	331,000	72,000 – 92,000	45,000 – 60,000
Fundraising actions	20,000	20,000	17,000
Contingency	TBC	TBC	15,000
<b>Sub total</b>	<b>£685,000</b>	<b>£350,000</b>	<b>£290,000</b>

7.3 Contributions from Hampshire County Council and Winchester City Council are calculated as follows:

Authority	FTE	FTE %	Transition costs
HCC	90	90	£264,000
WCC	10	10	£26,000

## 8. External Revenue Investment

8.1 The growing potential value of the Hampshire Solent brand can be demonstrated by the following:

- Arts Council England (ACE) has provided funding support for Hampshire Solent branded projects since 2011/12 to a value of £1.95m, which include for example:
  - ACE funded the business case work behind the Hampshire Solent Cultural Trust project
  - ACE awarded the Hampshire County Council, Southampton City Council and Winchester City Council partnership over £600,000 to support delivery of the Hampshire Big Theme 2014 (1914: Commemorating World War 1) programme and

a digital viral marketing initiative (working with wider Alliance partners)

- HLF have recently awarded a Round One pass under their high profile Catalyst Building Fundraising Capacity Scheme for the Hampshire Solent Cultural partnership project, Inspiring a Culture of Philanthropy, with a grant value of £300,000
- Hampshire County Council, Southampton City Council and Winchester City Council are planning to enter into partnership to deliver the 2015 *Hampshire Big Theme Dinosaurs* public programme

8.2 Future opportunities for strategic partnership revenue funding may include the ACE – Visit England Cultural Destinations Fund and ACE Renaissance/ Grant for Arts funding, for example. The HLF Catalyst Scheme would enable the Trust to develop valued relationships with private and corporate philanthropists of mutual benefit. A target of £2-2.5 million external revenue investment over a 5-year period seems appropriate.

8.3 Throughout this process, ACE has continued to demonstrate significant strategic as well as funding support for this collaborative initiative. A copy of a letter from Phil Gibby, Regional Director ACE South West, to the Chief Executives of the 3 partner authorities dated 15 July 2013 is attached as an appendix.

## 9. Property and Collections

9.1 Property would be leased/ sub-leased/ licensed, as appropriate, under long term arrangements where feasible, with the minimum unexpired term at any time being 25 years so as to support external grant applications by both the Trust and the owning local authorities relating to property. The Trust would be able to break a lease at agreed periods, perhaps each five years. Leases would be in standard form, but include bespoke terms where appropriate in order to protect both parties' wider interests. This will include protecting Hampshire County Council and Winchester City Council rights to their property in the event of failure of the Trust as an ongoing financial concern. It is proposed that responsibility for repairs, maintenance, buildings insurance and utilities (with exception of business rates) is retained by Hampshire County Council and Winchester City Council for reasons of cost effectiveness although it would be necessary to include capping arrangements and other safeguards to ensure that costs did not rise in real terms in the future.

9.2 For Hampshire County Council, it is proposed that property maintenance would continue to be delivered through Term Maintenance Contracts and an integrated Customer Helpdesk Service to provide the majority of the planned revenue maintenance and breakdown/ repair work. In order to manage the Capital liabilities, Property Services have a well-developed strategic Corporate Risk

Assessment based approach to Capital and Revenue funded repair and maintenance. This is a key aspect of the overall approach adopted by Property Services to manage risks and it is proposed that the Trust's properties will remain within the CRA approach and the overall priorities established from this process.

- 9.3 Collections would be leased/ sub-leased, as appropriate, under long term arrangements where feasible, with the minimum period at any time being 25 years so as to support external grant applications by both the Trust and the owning local authorities relating to these heritage assets. It is proposed that the management and care of collections would be undertaken by the Trust. The Hampshire Solent Cultural Trust on behalf of the respective local authority would hold any new collections acquired in trust.
- 9.4 Any insurance arrangements associated with assets by Hampshire County Council and Winchester City Council (primarily property and collections) would remain with the Council, including for Hampshire County Council under self-insurance arrangements an agreed risk management approach. The Trust will require its own insurance to operate as a business.

## **10. Governance and Leadership**

- 10.1 The Trustee Board governance framework for the Hampshire Solent Cultural Trust will bring together the unique strengths of Hampshire County Council, its district and borough council partners and Winchester City Council with the dynamic abilities of influential and high quality individuals from the wider business, cultural, public and educational community. Strong leadership will be critical to the success of the venture and an appropriate level of ambition will be vital to secure an outstanding Chair, Board and Executive team who can deliver the vision and build an acclaimed cultural business within 5 years.
- 10.2 It is proposed that the Board will consist of 12 Trustees with 1 each being nominated by the founding local authorities, Hampshire County Council and Winchester City Council. The Chair and non-local authority Trustees will be appointed by open competition from the business, media, community, public, cultural and educational sectors, ensuring the best balance of skills and expertise to ensure business success. It is proposed that they will serve a 3-year term with the option of re-appointment for a further 3 years, to facilitate the need both for stability and new ideas/ energy. It is also proposed that Hampshire County Council and Winchester City Council have the option to nominate an observer to the Board as appropriate.
- 10.3 It is also proposed that the constitution of the Trust formally includes the establishment of an Annual Advisory Group Meeting to which Core Funding Partners (district and borough council partnerships) would be invited to review performance and contribute to future planning.

Individual meetings (up to 4 per annum) would continue with district and borough councils in addition, and the Joint Management Committee arrangements can form the basis for these.

- 10.4 During the implementation stage, it is proposed that an Interim Chair and Board of c. 4 Trustees is appointed for up to 2 years from early 2014. The selected Chair would have a strong reputation with key national funding and strategic bodies, including ACE and DCMS. Someone well respected by local authority members who is also well connected with influential individuals in the local and national context, who will give the Trust significant credibility and who will advocate the Hampshire Solent cultural vision. He/ she will be supported by the Interim Trust Executive Officer who will also work with an appointed Interim Vice Chair with expertise in development of Trust operations and business change.
- 10.5 During the implementation stage, a Trust Advisory Group could be established to seek the advice of and help develop relations with representatives in the wider cultural, business, media, tourism, community and educational sectors. The first meeting of the Annual Advisory Group could also be held during the implementation phase to bring district and borough council partners together with the Interim Trust Board to discuss future planning.
- 10.6 it is proposed that during 2014, the Trust will be established and services transferred. Later in 2014, the Trust (with the support of its founding authorities) will commence recruitment of a Chairman Elect, Trustees and a Chief Executive by open competition for appointment by summer 2015. This will allow a 6-month handover between the Interim Chair/ Board and the new Chairman/ Board that will take the Trust forward in the long-term from end 2015.
- 10.7 It is also proposed that consideration is given to evolving the current Hampshire Solent (Museums) Alliance, which has driven significant strategic partnership work since its inception in May 2011, into a Hampshire Solent Cultural Partnership facilitated by the Hampshire Solent Cultural Trust. As per the Alliance, this Partnership would aim to bring together senior leads from key cultural organizations, working with wider sector networks as appropriate, to champion a programme of strategic partnership working of benefit to all cultural organizations in the greater Hampshire area. This Partnership would provide a framework for managing existing collaborative projects as well as developing new opportunities.

## **11. Staff and Organizational Structure**

- 11.1 All Hampshire County Council Arts and Museums related and Winchester City Council Museums staff would transfer to the Trust, according to the preferred option selected, under TUPE provisions with protected contractual terms and conditions. It is proposed that all TUPE staff retain access to the Local Government Pension Scheme through a

'pass-through' process – to be confirmed by the partners. A new Trust pension scheme, with agreed terms and conditions of employment will need to be set up for new appointments. Further work is required to confirm costs and longevity of pension 'pass-through' arrangements. Staff and Union consultation regarding these proposals should take place at the implementation phase as per the timetable outlined in section 13.

- 11.2 A re-organisation of staff structure at a senior management level is anticipated, and it is proposed that from 1 January 2014, an 18 month interim Trust Executive Officer role is created (with appointment ring-fenced to existing senior management) in order to work with the Interim Trustee Board and partner authorities in setting up the Trust.
- 11.3 It is not anticipated at this stage that posts below senior management team level will be significantly affected directly by the Trust proposals.

## **12. Key Risks and Mitigations**

- 12.1 A primary risk is that the Trust fails to deliver on predicted financial performance and becomes at risk of insolvency. Potential risk areas that may impact on financial performance include ability for funding partners (including districts and boroughs) to continue investment and underachievement of visitor/ income targets. The proposed governance model is a charitable company limited by guarantee and the Trust will be a separate entity from the founding Local Authorities. The Trust will be able to anticipate cash flow issues or budget pressures and put mitigation strategies in place to ensure a balanced budget, in discussion with the Board and funding partners.
- 12.2 A key risk in terms of financial performance is the ability within district and borough councils to continue a stable level of investment in existing arts and museum partnerships. This risk exists regardless of the Trust proposal. Initial consultation with district and borough funding partners has emphasised the value of minimising any anticipated budget reductions during at least the first 2-3 years of the Trust to give the best chance of growing new income streams. Overall, most partners have been interested in the Trust proposal in principle with a requirement to understand the detail at implementation phase. This detailed discussion will include future funding arrangements with outcomes reported to the Executive Member in March 2014.
- 12.3 A second key financial performance risk is underachievement of visitor numbers and income targets. This risk will be mitigated by prioritising quality programmes appealing to a large customer base, investing more existing funding (made available by the tax relief opportunities of becoming a Trust) into marketing and programmes, securing additional external investment and retaining the local familiar brand for venues.
- 12.4 A third key financial performance risk is the revealing of any hidden costs associated with the Trust operation. Detailed analysis has already been undertaken during the business case stage, including

securing advice from relevant specialists and existing charitable cultural organizations. Further detailed budget construction and analysis will be undertaken during the implementation stage, and any significant variation in financial performance will be brought to the Executive Member for consideration in March 2014.

12.5 External investment targets are not a key requirement of the baseline financial model delivering arts and museums services for Hampshire County Council and Winchester City Council during the first few years. However, they are desirable in terms of developing ambition and enabling delivery on the wider the strategic partnership vision. Given the number of arts, museums and cultural organisations in the Hampshire Solent area (which is of course its strength), there is a risk that individual applications will compete with each other for major strategic funding opportunities. The Hampshire Solent Cultural Trust would have the capacity to support a wider Hampshire Solent Cultural Partnership, and facilitate collaborative initiatives as appropriate.

12.6 Moving from a local authority service into an independent Trust and merging two organisations is a significant challenge for staff in terms of cultural change. Over the last 2 years considerable emphasis has been placed on staff from Hampshire, Winchester and Southampton working closely together on projects that deliver public outcomes. During the first 3 years, the Trust would need to embark on a significant programme of business change to best equip and motivate staff to capitalise on the associated opportunities and effectively manage risks.

### 13. Next Steps

13.1 A project of this kind involves the following phases:

- Scoping and Options (completed Dec 2011)
- Developing the Business Case (completion Sept 2013)
- *Implementation*
- *Transfer*
- *Transition*

13.2 The next phase, if a decision were made to proceed, would be Implementation. During this stage, key tasks include:

- Registering the Trust (and associated trading arm as appropriate)
- Appointing Interim Trustee Board
- Developing brand and finalising business plan
- Consultation with staff and unions, and addressing HR matters
- Consultation with district and borough council funding partners regarding details, including financial arrangements
- Construction of budgets, finance and IT systems
- Development of business change plan

- Dialogue with cultural sector re Hampshire Solent Cultural Partnership
- Advocacy at a local and national level

13.3 It is proposed that Transfer of services and staff, and loan of property and collections would take place during the period May-October 2014

13.4 It is anticipated that the remainder of 2014 and into 2015 would be a Transition period during which the following key tasks include:

- Open competition for long-term Trustee Board
- Open competition for Chief Executive

By January 2016, it is anticipated that the Trust will be firmly established and fully ready for business.