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**REPORT FOR: CABINET**

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**Date of Meeting:** 14 September 2017

**Subject:** Future Delivery of Arts and Heritage Services: Update

**Key Decision:** No

**Responsible Officer:** Simon Baxter, Divisional Director of Environment and Culture

**Portfolio Holder:** Councillor Sue Anderson, Portfolio Holder Community, Culture and Resident Engagement  
Councillor Keith Ferry, Deputy Leader of the Council and Portfolio Holder for Business, Planning and Regeneration

**Exempt:** No

**Decision subject to Call-in:** Yes

**Wards affected:** All

**Enclosures:** None

## **Section 1 – Summary and Recommendations**

This report offers an update on the cessation of the proposed transfer of Harrow Arts Centre, Harrow Schools Music Service, and Harrow Museum (at Headstone Manor) to an independent charitable trust Cultura London, and to inform Cabinet of initial work by officers on the development of a draft Harrow Cultural Strategy, and the proposed development of an options appraisal for the Harrow Arts Centre site.

### **Recommendations:**

Cabinet is requested to:

- i) Note the final outcome on the proposed transfer of arts and heritage services to Cultura London as outlined in the Cabinet report and appendices of January 2016 (Future Delivery of Arts and Heritage Services)  
<http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=249&MId=62802>  
and the Cabinet report and appendices of December 2016 (Future Delivery of Arts and Heritage Services: Update and approval of lease length)  
<http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=249&MId=62840>
- ii) Note the initial work by officers on the development of a draft Harrow Cultural Strategy to inform the future delivery of cultural services.
- iii) Authorise the Divisional Director of Environment and Culture, following consultation with the Portfolio Holder for Community, Culture and Resident Engagement, the Deputy Leader and Portfolio Holder for Business, Planning and Regeneration, and the Divisional Director of Planning, to develop an options appraisal for the Harrow Arts Centre site. Noting that the funding for the feasibility study has yet to be identified and the funding source needs to be cleared with the Director of Finance prior to the commencement of the feasibility study.

### **Reason: (For recommendations)**

This report provides members with an update on the cessation of the proposed transfer of arts and heritage services to Cultura London, initial work on the development of a draft Cultural Strategy, and proposes the development of an options appraisal for the Harrow Arts Centre to enable a sustainable arts and culture provision.

## **Section 2 – Report**

### **1. Introductory paragraph**

Faced with significant reductions in its funding and to ensure a sustainable future for services which provide wide ranging health and wellbeing benefits the Cabinet approved in January 2016 the transfer of the delivery of arts and heritage services at Harrow Arts Centre, Harrow Museum, and Harrow Schools Music Service to the independent charitable trust, Cultura London. The leasing of relevant buildings/sites as required for a period of 25 years was also approved. In December 2016 there was a further report to Cabinet on progress with the transfer and sought approval for the leasing of the relevant buildings to the trust for a revised period of 90 years (or other reasonable term to be agreed) as requested by Cultura London. Since then, officers have continued to engage in carrying out due diligence on the transfer arrangements with Cultura London, including all outstanding issues around leases in preparation for the transfer. However no agreement could be reached with Cultura London on the options proposed by the Council, resulting in the arts and heritage services remaining in-house.

### **2. Background**

2.1 In January 2016, the Cabinet approved the transfer of the delivery of its arts and heritage services to an independent charitable trust Cultura London. The services were:

i) Harrow Arts Centre (HAC): delivering professional performance, events and community arts activity from a range of buildings in Hatch End centred on the Grade 2 listed Elliott Hall (former school building).

ii) Harrow Schools Music Service: c70 teachers directly deliver 700 hours of instrumental tuition every week through SLAs with schools

iii) Harrow Museum (at Headstone Manor) providing the management and development of the historic Headstone Manor site, including museum learning, participation & cultural programmes, and public access to the Local History collection.

2.2 January 2016 Cabinet approved the transfer on the following terms:

i) The transfer of Council arts and heritage services and assets as appropriate to a charitable trust (Cultura London) on 4th April 2016 (or other specified date) under an agreement for a period of 25 years.

ii) Approve the decision to grant leases to Cultura London of such Council properties as the charity may occupy for the purpose of the performance of the services for a period of 25 years at a peppercorn rent.

2.3 Authorisation was agreed for a revenue subsidy of £396k for 2016-17 together with a one-off amount of £35k for implementation costs – a total of £431k, and thereafter of £60k per annum from 2017-18 (in relation to the Harrow Museum) to 31<sup>st</sup> March 2021.

2.4 A loan of up to £1 million for Cultura London was authorised to support the delivery of Phase 1 of the draft Master Plan for Harrow Arts Centre. Subsequently, in July 2016, Cabinet approved that the £1 million would be a grant to Cultura London.

2.5 Cabinet in January 2016 authorised the Corporate Director of Community following consultation with the relevant Portfolio Holders and the Director of Legal and Governance Services and the Director of Finance to conclude and give final approval to sign the Heads of Terms and leases, novate any existing contracts, and enter into further discussions with Cultura London as required to allow mobilisation and a start date.

2.6 At the end of September 2016 the Council made the decision not to proceed with the transfer to Cultura London. A letter was received from the Chair of Cultura London's Board requesting that all outstanding issues required for transfer were completed within 3 days otherwise Cultura London would withdraw their proposal to take over the delivery of arts and heritage services. Whilst the Council had agreed to changes such as changing the loan of £1 million to a grant, it was not possible for the Council to complete the transfer within this timescale. Cultura London had also not managed to secure the level of external funding that had been planned. The Council therefore withdrew from the process and gave an undertaking to review options regarding the future provision of arts and culture services.

2.7 Soon after the decision had been made not to proceed with the transfer, John Lyons Charity gave an undertaking that they would provide a capital loan of £2.5 million to Cultura London, without any conditions in connection with the leases. This loan was for the delivery of Phase 1 of the draft Master Plan for the Harrow Arts Centre site. A number of meetings were subsequently held with the Leader of the Council, relevant Portfolio Holders, Chief Executive, and relevant Senior Officers where it was agreed, in accordance with the authorisation approved by Cabinet in January 2016, to enter into further discussions with Cultura London to conclude the mobilisation of services, and to conclude the conditions of the leases and Heads of Terms. A pragmatic decision was made at Member level to meet certain costs of Cultural London to facilitate the transfer of the arts and heritage service.

2.8 Cultura London had also secured external funding including £600k from the Arts Impact Fund. External funders indicated that they would require a longer lease to be in place. In December 2016, therefore, Cabinet approved the revision of the terms of the transfer agreement and lease to Cultura London for a maximum period of 90 years (or other reasonable term to be agreed) to allow Cultura London to fundraise through grant applications. The approved terms for the leases also changed from a peppercorn rent to a discounted concessionary rent rate.

2.9 Cabinet in December 2016 authorised the Corporate Director of Community, following consultation with the relevant Portfolio Holders, Director of Legal and Governance Services and the Director of Finance, to agree the final Heads of Terms with Cultura London following approval to extend the lease lengths. Officers, therefore, continued to engage in carrying out due diligence on the transfer arrangements with Cultura London. A number of potential options for finalising the terms of the leases were considered with advice sought from relevant organisations including the Local Government Association (LGA), Greater London Authority (GLA), Heritage Lottery Fund (HLF), and other Local Authorities

### **3. Options considered**

#### **Option A: The leases did not include a clause allowing Forfeiture on Cultura London's Insolvency.**

This was a requirement of Cultura London and from external grant funders such as Heritage Lottery Fund (HLF). This would have meant, however, that if Cultura London became insolvent, the Council would not have the ability to terminate the leases automatically. The Council would not, therefore, be able to take its building back in these circumstances and would have relinquished control of them for the duration of the term.

This was not recommended

#### **Option B: The leases included a suspended right to Forfeit on Insolvency.**

If Cultura London became insolvent the Council would not be entitled to forfeit the leases until the expiry of the grant period (usually 20-25 years). This option was acceptable to Cultura London and external grant funders such as HLF. However, this option would still mean the Council could have had to wait for many years before it had a right to forfeit and therefore relinquish control of its building for a considerable length of time.

This was not recommended

#### **Option C: Right to Forfeit on Insolvency with Novation/Repayment of existing Cultura London grants.**

The leases would include covenants to say that on insolvency:

- i. The Council will notify grant providers prior to forfeiting the lease
- ii. The Council will enter into a novation agreement(s) under which the grant(s) will be novated to the Council
- iii. Cultura London will enter into the above novation agreement(s), novating the grant(s) to the Council.

Whilst this option would be low risk for the Council in relation to the existing HLF grant for Harrow Museum, if Cultura London obtained new external funding grants for Harrow Arts Centre as they planned to do the Council would be agreeing to take on (or repay) these grants in the event of insolvency. The Council would, therefore, be agreeing to an unquantifiable financial risk. A variation on this option which included a step-in period would still give the Council a significant financial risk.

This was not recommended.

**Option D: The Council provided a loan on commercial terms to Cultura London towards completion of Phase 1 of Cultura London's Master Plan for the Harrow Arts Centre site.**

The additional loan, which would have been subject to the necessary approvals, would have removed the need for the securing of additional grant funding for Phase 1 of Cultura London's Master Plan for the Harrow Arts Centre site including the delivery of a new block to include bookable spaces and an independent cinema. This option, however, was not acceptable to Cultura London due to the requirements to existing grant funders and potential future funders for the further stages of their Master Plan.

This was not recommended.

**Option E: The leases included a Right to Forfeiture on Insolvency, with a step-in period.**

Automatic Right to Forfeit on Insolvency had not been acceptable to Cultura London on the basis that it would not be acceptable to grant funders. As an alternative it was proposed that the Council was not entitled to forfeit for a minimum period of 6 months, during which time any grant providers and the Council will try to find a replacement tenant or service provider. This, however, was not acceptable to Cultura London on the basis that it would not be acceptable to grant funders.

This was recommended but was not acceptable to Cultura London.

## **4. Current situation**

4.1 The delivery of the Council's arts and heritage services remains an in-house provision as it was not possible to finalise the terms of the leases that were acceptable to all parties.

4.2 Officers have been working on the migration of ICT services back to the Council network at Harrow Arts Centre and Harrow Museum. Cultura London had provided all network links and equipment at the Arts Centre and Museum following the expiry of the contract with Capita. A short term solution including the provision of laptops and wireless hot spots was implemented, and the Council has been working closely with Cultura London to ensure continuity of service provision. Migration back to the Council network is due to be completed by October 2017 due to the lead in time required for new BT phone lines.

4.3 Officers have begun work on the development of a Harrow Cultural Strategy to inform the future delivery of cultural services. The draft strategy will aim to further develop a rich cultural offer for all of Harrow's residents, highlighting the contribution that culture can make towards the Council's vision of 'Working together to make a difference for Harrow'. In light of continuing financial constraints, the Council has to identify new innovative ways of delivering sustainable services with limited resources. The draft strategy will highlight the cultural opportunities provided by Harrow's regeneration programme and stress the role of the Council as a facilitator and

supporter of local cultural networks to meet the cultural needs of all residents. A further report will be taken to Cabinet seeking approval for the Cultural Strategy.

4.4 Officers are in discussion with Members regarding the development of an options appraisal for the Harrow Arts Centre site. A further report would then be brought back to Cabinet once the options appraisal has been completed.

## **5. Risk Management Implications**

A full risk register was in place for the proposed transfer of arts and heritage services to Cultura London as detailed in the Cabinet Report of January 2016 (Future Delivery of Arts and Heritage Services), and the Cabinet Report of December 2016 (Future Delivery of Arts and Heritage Services: Update and approval of lease length).

Following the latest position on the proposed transfer, the following risks have been identified:

- i) MTFS savings were previously assumed for the transfer of the services to Cultura London. Without the transfer, no revenue funding is available to continue to subsidise the current provision of arts and heritage services.

### *Mitigation*

A growth budget of £455k has been provided in the 17/18 MTFS to continue to fund the services. A Cultural Strategy is being developed to inform the future delivery of a sustainable cultural offer.

- ii) Risk that the Council does not receive all of the income due to the Council from Harrow Arts Centre and Harrow Museum as part of the mobilization to Cultura London

### *Mitigation*

Finance has produced a detailed reconciliation of accounts identifying the income due to the Council working closely with Cultura London.

- iii) Service disruption whilst ICT provision is migrated back to the Council network

### *Mitigation*

A short term solution including the provision of laptops and wireless hot spots was implemented, and the Council has been working closely with Cultura London to ensure continuity of service provision is maintained until migration to the Council network is completed.

## **6. Legal Implications**

The Legal implications of the proposed transfer of arts and heritage services to Cultura London were detailed in the Cabinet Report of January 2016 (Future Delivery of Arts and Heritage Services), and the Cabinet Report of December 2016 (Future Delivery of Arts and Heritage Services: Update and approval of lease length).

## **7. Financial Implications**

7.1 The 15/16 MTFS agreed that the Arts & Heritage service could no longer be subsidised, and an alternative delivery model identified savings of £515k. A revision to the savings was made in the 16/17 MTFS to take into account the timescale of delivering the business plan and the match funding requirement of £60k for 5 years as part of the HLF funding bid. As a result, the savings had been re-profiled as £173k in 16/17 and £282k in 17/18 respectively. This allowed a one-off revenue subsidy of £396k, together with a £35k for implementation costs, a total of £431k, to be provided to Cultura London on transfer to provide the financial support for Year 1 of their business plan. As this transfer did not occur the budget originally set aside in 16/17 to fund the subsidy was not required. As the services were delivered by in-house teams throughout 16/17, this budget was in turn used to partially offset the operational costs. In light of the above, the saving of £455k was reversed in 17/18 MTFS in order to continue to fund the services at Harrow Arts Centre and Harrow Museum.

7.2 In addition, one-off transition costs were higher than originally anticipated due to the delay in the proposed transfer. These included additional legal fees, wages of Cultura London staff who were formerly employees of the council but left to join Cultura London to facilitate the transition of the services from the Council to the charity, and other miscellaneous costs incurred by Cultura on behalf of the Council that represented legitimate operational costs whilst the services remained in house. The additional transition costs were in the region of £160k, which was met from Transformation and Priority Initiatives Fund. All costs were accounted for in 16/17 outturn as part of year-end closedown process.

7.3 A £1 million capital grant to Cultura London was approved by Cabinet in June 2016. As this is no longer needed the budget has been removed from the capital programme.

7.4 A match funding from the John Lyons Charity of £270k towards the Harrow Museum project was awarded on the condition that the management and administration of Headstone Manor Museum would be successfully transferred to a newly created registered charity. The majority of this funding is revenue funding. If this funding was withdrawn and not replaced by alternative funding, the Heritage Lottery Fund (HLF) grant would be reduced by £540k accordingly as part of the match funding arrangements. In order to mitigate against this, a budget carry forward request of £270k was made as part of year-end closedown process.



This was approved by Cabinet in June 17. This will ensure that an adequate level of funding is maintained to complete the project.

7.5 The charge for the short-term ICT solution implemented to ensure service continuity was £2k. This was funded from the Harrow Arts Centre budget. Sopra Steria has yet to confirm the total one-off costs for re-connecting Harrow Arts Centre and Harrow Museum to the Council network. For budgeting purposes, a capital funding of £150k has been set aside for this as part of 16/17 closing process.

7.6 During the transition period, the electronic systems used for room hire, tickets booking and café/bar payments were changed/upgraded in preparation for the transfer and therefore Cultura London had collected some income raised at Harrow Arts Centre and Harrow Museum on behalf of the Council. It was originally proposed to account for this by netting off against the one-off subsidy due to be payable to Cultura. As the transfer did not occur, an invoice of £162k has been issued to Cultura to recover the net income due back to the Council.

7.7 Funding for the development of the option appraisal for the Harrow Arts Centre has yet to be identified. It will have to be identified, and cleared with the Director of Finance, prior to the commencement of any appraisal.

## **8. Equalities implications / Public Sector Equality Duty**

A full EQIA was completed for the Cabinet Report of January 2016 for the proposed transfer of arts and heritage services to Cultural London. Nothing in this report changes the impacts and mitigations identified as there are no proposed changes to the services being provided at Harrow Arts Centre, Harrow Schools Music Service, and Harrow Museum.

## **9. Council Priorities**

The continuing provision of arts and heritage services delivers the Council's vision as follows:

### **Working Together to Make a Difference for Harrow**

- Making a difference for the vulnerable by continuing to offer arts and heritage events and activities to support mental and physical health and wellbeing, particularly for older people, young people and those with learning difficulties.
- Making a difference for communities by offering a wide range of events and activities to reach different communities in the borough and to ensure a rich mix of cultural offer to support residential regeneration.
- Making a difference for families by offering cultural events and activities for all ages and to support educational attainment e.g. music tuition, 100% Producers, Family Fun Days etc.

### Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 4 September 2017		
Name: Matthew Dineen	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 4 August 2017		

<b>Ward Councillors notified:</b>	No, as it impacts on all Wards
<b>EqIA carried out:</b>	No. The EQIA for January 2016 Cabinet Report covered the proposed transfer to Cultura London
<b>EqIA cleared by:</b>	N/A

### Section 4 - Contact Details and Background Papers

**Contact:** Tim Bryan, Service Manager, Libraries, Sport and Leisure Tel. 020 8416 8639  
[tim.bryan@harrow.gov.uk](mailto:tim.bryan@harrow.gov.uk)

**Background Papers:**

Cabinet Report and decision January 2016: Future Delivery of Arts and Heritage Services

<http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=249&MId=62802>

Cabinet Report and decision December 2016: Future Delivery of Arts and Heritage Services: Update and approval of lease length  
<http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=249&MId=62840>

**Call-In Waived by the  
Chair of Overview and  
Scrutiny Committee**

**NOT APPLICABLE**

*[Call-in applies]*