

DECISION TAKER: Deputy Leader, Councillor Neil Cutler

REPORT TITLE: ADDITIONAL FINANCIAL SUPPORT FOR HAMPSHIRE CULTURAL TRUST

4 SEPTEMBER 2023

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WARD(S): ALL

### PURPOSE

Hampshire Cultural Trust has requested the council review its funding under the Management and Funding Agreement in response to increased costs and reduced income arising from the Cost of Living crisis. Following review and consideration of the financial case made, the council is offering a one-off additional support grant to be paid in 2023/24 and this report sets out the decision to fund this grant from council general fund reserves.

### RECOMMENDATIONS:

1. To approve a one-off additional support grant of £81,300 to Hampshire Culture Trust to meet extraordinary rise in cost and expenditure.
2. To approve £81,300 from the exceptional inflation earmarked reserve to fund the grant award.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Hampshire Culture Trust (HCT) operates and manages the council's museums and collections under a long-term agreement, this includes the display, exhibitions and interpreting of the collections, outreach to engage and interest people in the collections and attract people to the museums. These activities contribute to the Living Well council plan outcomes to achieve a wide range of physical and cultural activities for all ages and abilities, and Vibrant Local Economy outcome to work with partners to promote and develop our unique cultural, heritage and natural environment assets.

2 FINANCIAL IMPLICATIONS

- 2.1 In February 2023 HCT approached the council with a request to review its annual grant, as is allowed under specific clauses in the within the Management and Funding Agreement between HCT and the council. The claim for additional grant has arisen from cost of living pressures that both increased salaries and reduced income from visitors, together with increased running costs and costs to restructure in order to mitigate this financial difficulty. Under the same agreement a request for financial support was also made to Hampshire County Council as co-founding partner.
- 2.2 Due to the extensive services delivered by HCT on behalf of the council, including care and management of its collections, operating and developing the City and West Gate Museums and City Space within the Arc, it was deemed prudent to give due consideration to this request.
- 2.3 Detailed income and expenditure figures to support the claim were provided and reviewed and following negotiation a reduced offer was made on the basis of:

	MFA clause	Offer
Cost of inflation	5.14	£30100
Cost of restructure (actual)	26.4	£27640
50% of actual salary increase 2015-2022	5.8	£23560
Total offer		£81300

- 2.4 This one-off additional funding support grant, to be paid in this financial year 2023/24, is conditional that a review of relevant clauses in the MFA, especially 5.8 be undertaken and agreement reached to remove obligations on the council within the MFA to prevent future claims of this nature.

- 2.5 It is recommended that the funds for this grant come from council's exceptional inflation reserve.
- 2.6 At the Council meeting on 9 February 2023, it was agreed to freeze the proposed grant funding reductions to HCT and to maintain pre-2022/23 funding levels until the end of 2024/25, at a cost of £43,000 per annum. The additional £81,300 one-off grant recommended in this report is therefore in addition to the annual grant of £298,144 for 2023/24, 24/25 and 25/26. No further grant assistance will be made within the period to March 2026.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Management and Funding Agreement (MFA) between HCT and Winchester City Council commenced 1 November 2014 and shall continue until 31 March 2040.
- 3.2 Several clauses with the MFA provide for reviews of grant levels in certain circumstances and in February 2023 HCT wrote to the council requesting consideration of costs under the relevant clauses. This was within the terms of the MFA and the council was obligated to consider the request, although funding decisions are at the discretion of the council.
- 3.3 Clause 5.14 provides for inflation increase and that if the 12 month rate of CPI at September has increased by more than 3%, HCT may request the council to consider its annual grant for the following year.
- 3.4 Clause 5.8 provides for HCT to claim the net value increase in TUPE'd staff annual pay awards.
- 3.5 Under clause 26.2 HCT may present a business case to the council concerning the need for redundancies. Should this request fall within the Initial Period of the agreement (up to 2021) and if the council approves the case, it shall pay the redundancy costs. This request falls within the Second Period of the agreement (up to 2023) and so clause 26.4 provides that this is now at the discretion of council to pay any such costs.

### 4 CONSULTATION AND COMMUNICATION

- 4.1 Several meetings between HCT and the council took place to agree the case for additional grant and the Cabinet Member for Business and Culture was consulted on the proposals. Discussions with Hampshire County Council also took place as the other major funding partner to HCT.

### 5 ENVIRONMENTAL CONSIDERATIONS

- 5.1 This decision relates to one-off additional financial support for an existing management arrangement with Hampshire Cultural Trust. It does not therefore change or create any environmental impacts.

6 PUBLIC SECTOR EQUALITY DUTY

6.1 None

7 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<b>Financial Exposure</b> Failure of HCT to undertake prudent financial planning leads to significant operational issues and increases potential for greater recovery costs to be borne by the council.	HCT has undertaken revised budget and financial planning for the period to 2026 to demonstrate management of funding issues. Council agreed stable annual grant funding to 2026.	In collaboration review all activities and services delivered for the council to seek improvements, efficiencies, new ways of working and opportunities to reduce costs and increase income.
Exposure to challenge		
<b>Innovation</b> Inadequate funding stifles the ability to innovate, grow, adapt or respond to new opportunities.	See above	See above
<b>Reputation</b> Reduced funding leads to poor quality services that negatively impacts residents and visitors view of the museums and collections offer in Winchester.	Ensure a secure financial position so that services are maintained at required levels.	
<b>Achievement of outcome</b> Reduced funding leads to reduced ability to delivery services to the current standard	HCT has undertaken mitigation measures to reduce costs. Additional one-off financial support helps with the costs of mitigation and to help meet increased cost of living pressures.	
Property		

Community Support		
Timescales		
Project capacity		
Other		

## 8 OTHER KEY ISSUES

8.1 None

## 9 SUPPORTING INFORMATION

9.1 Established as an independent charity in 2014, to promote Hampshire's cultural experiences to both its residents and visitors HCT manages and supports 26 venues across the county. The council was a founding partner to Trust and on its behalf manages several properties including the City Museum, Westgate and the exhibition (city) space in The Arc, as well as care of the council's collection of artefacts and archaeological finds. Several contractual agreements under which these services are provided exist between HCT and the council and include arrangements for an annual grant to HCT.

9.2 In January 2023 the Trust's Chief Executive issued a warning of potential jobs losses resulting from the need to restructure to safeguard the organisation's future. This was triggered by the financial strain on the Trust from recent extraordinary operating conditions; cost of living, inflation and utility prices, and having only just started to fully recover from the impacts of operating restrictions as a result COVID. In February HCT contacted the council requesting a review of the annual grant in line with clauses contained in MFA.

9.3 A review of the case presented was undertaken by the Corporate Head of Economy and Community, which include considerations of the financial impacts and the consequences of this on service provision, the extent to which this fell to the council under the MFA, and level of grant support already agreed for the Trust. Discussions were also held with Hampshire County Council and the Cabinet Member for Business and Culture. This work concluded that there was case for supporting some of the additional costs set out by the Trust. Therefore, a one-off additional financial support grant of £81,300 was be offered to HCT to be paid in 2023/24 and conditional on the review of relevant clauses within the MFA.

## 10 OTHER OPTIONS CONSIDERED AND REJECTED

10.1 The request for additional financial support from HCT was reviewed and the business case assessed against the following options:

- a) Offer the full amount requested. This was rejected as some costs included were deemed to fall outside the requirement of the council to consider under the framework agreement.
- b) Reject the request and do not offer any additional financial support. This was rejected as there was a case made and supported for restructuring costs and increased Cost of Living expenditure and the significant service delivery implications, financial risks and reputation damage to the council should HCT not be able to meet its operating obligations.

BACKGROUND DOCUMENTS:-

Previous Cabinet/Committee Reports or Cabinet Member Decisions:-

Council 23<sup>rd</sup> February 2023, General Fund Budget 2023/24 CAB3388

<https://democracy.winchester.gov.uk/documents/s24455/Extract%20of%20Minutes%20-%20Cabinet%209%20February%20-%20General%20Fund%20Budget%202023-24.pdf>

Other Background Documents:-

None

APPENDICES:

None