

Options for the Operation of the Old Fire Station Oxford
A Report by Brian Harris Arts Development Consultant
For Oxford City Council

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Executive Summary and Recommendations

This report examines in more detail the two operational models (the Halls for Hire Model and the Arts Company Model) identified in my early report (January 2010). This is done through the creation of outline business plans for each model, accompanied by 5 year budget projects. Also explored more are the needs and costs of the preopening operation (year 0), the links with the work of Skylight and a notional programme for the main arts spaces to ensure the levels of use projected are achievable in respect of the availability of spaces at the right times and the demand initially indicated by the sector.

Option A - The Halls for Hire Operation

The basic arrangement for this option would be a rent-neutral lease from the City Council to Crisis UK for the whole building. Crisis UK would then enter into a contract with a suitable management company (following a tendering process) to manage the whole building and to deliver the uses of the arts spaces, plus other arrangements in respect of their spaces and programmes.

- This option can be developed on a financially sustainable basis (dependent on the approach to the preopening costs) although this might well restrict those who will have access to the facilities.
- This option would provide a series of new arts facilities available for hire by local and regional groups.
- It would be managed by a property management company who would run the building and generate and administer the uses.
- The uses would not be actively programmed and there would be no attempt at creating an overall coherent programme.
- Artistically it would be safe and unadventurous and as such would not attract outside funding, either capital or revenue.
- Some of the potential users will still need access to subsidy to enable them to afford the use of spaces.
- Developing the links with the work of Skylight will be limited and difficult and time consuming to achieve
- Levels of use will grow under this model, but at a lower level than the arts company. This model has limited potential for longer term development, in particular in respect of being able to respond to new initiatives and/or funding opportunities.

- The risks involved in this option may be marginally less than the arts company, but are mainly different in nature. The risks would include a lack of empathy with OFS objectives, not able to offer the quality and level of service required in an arts venue and that high earning bookings would reduce access by more local groups or the experimental.
- This would be an unusual operational model for this type of arts building and therefore might be considered less tried and tested in this area of operation

Although this may deliver a useful addition to the arts and community resources of Oxford it does not meet much of the stakeholder's original vision for the project and this in turn may endanger the offer of the capital funding.

Option B - The Arts Company Operation

The basic arrangements for this option would be a rent-neutral lease from Oxford City Council. This would either be to Crisis UK for the whole building or two separate leases, one to Crisis UK and another to the arts company. In either case there would be an agreement with the arts company for them to manage and develop the uses of the arts spaces and to provide some services in respect of the whole building. The arts company would be limited by guarantee and a charity.

- It is possible to establish a core operation and programme in a financially sustainable way which improves over time.
- This option provides the same series of arts facilities for hire to local and regional groups but these will be actively and creatively programmed so as to present an overall programme with benefits to the arts organisations, the users of Skylight and the wider communities of Oxford, including the marginalised sectors of society.
- The new arts company, with the need to recruit suitable board members, would possess the commitment and arts management skills to deliver a much more ambitious project.
- The core activities will still be delivered by hires but a creative relationship will be established with the hirers so they have a greater commitment to the project in all its aspects. A coherent overall programme will result.
- Through creative programming and negotiation with hirers more effective use of the spaces is possible
- With the developing relationship between the company and hirers a much more adventurous programme will be developed which will include developing links between users, joint projects, special seasons, etc
- The status of the company and the more ambitious artistic programme opens up the potential for attracting outside funding for both capital and revenue from a range of sources. E.g. Cameron Macintosh Foundation, Arts Council
- Some users, especially in the visual arts, will continue to need access to subsidy to be able to afford the costs of the spaces and the creation of more exciting and experimental programmes.
- The arts company and its staff will be specifically committed to developing the links with the Skylight programmes and will work closely with hirers and Skylight staff to these ends

- The option can from the very start deliver a more exciting programme of uses and in the longer term has the structure and approach that will enable it to respond to new initiatives and opportunities as they arise, including attracting extra project funding for those new developments
- There are risks involve in this approach but not significantly more so than the hire model, but they are different. They include risks common to both models such as not reaching income and use levels, but also the implications of company failure which is likely to be with short notice; focusing too much on arts development and loosing key directors or staff
- As this is a more standard operational structure for arts buildings and venues it does have a track-record of successful delivery
- The stakeholders will need to dedicate some time and resources to creating the new company, identifying the first company directors and funding the preopening costs. These are estimated at £65,000.

On the basis of these assessments and assuming that the stakeholders are still committed to the key elements of the original concept (an exciting programme, innovative and experimental work, creative links between the arts activities and those of Skylight and the creation of new opportunities for the communities of Oxford, including the marginalised) it is **RECOMMENDED** that the stakeholders should adopt Option B; the creation of the arts company as the way forward.

If agreed, action should be taken immediately to establish the company, appoint the first directors of the arts company so that they are actively involved in the development of the project and make this basis for the operation known to the wider arts community.

1. Introduction and Background

This report follows on from the review of the Eastside Business Plan carried out in December and January. That review identified two possible ways of operating the Old Fire Station; a simple spaces for hire model using a building management company (a variation on the Eastside approach) and an arts model with the creation of a new arts company specifically to operate the arts aspects of the building.

The brief for this phase of work was:

- “
- Further review the Eastside Business Plan, research key areas to provide more certainty of information and produce a revised business plan for the hires option

- Create a full business plan for the Arts Company option supported by appropriate additional research and information collection
- Compare and provide analysis of the two options
- Prepare a notional outline programme of uses
- Outline the needs of each option in the pre-operational development period
- Report on the options in respect of their integration with the Skylight work”

This report summarises the results in each of these areas and the attachments explore in more detail these two options, the notional programme and the budget implications.

Wherever possible new information collected over the last few weeks has been applied to this work, however that information has been limited in the following ways, mainly as a result of the timescale.

- Hard information has not been forthcoming, from the project team, in most areas of the budget projects (e.g. heat and light, building maintenance) and therefore figures have been used from other similar arts projects
- The usage questionnaire (circulated by the Arts Officers) has currently had a limited return and therefore limited scope to be applied to this work. The returns are (as is often the case) not consistent and at this stage can only provide background to the work included herewith. In any case, experience suggests that response to questionnaires, months in advance of a building being available, rarely convert into actual uses in the ways indicated by the replies.
- In most areas of the proposed operation and the development of budget projections; experience has been used from other existing arts buildings including reference to their actual operating budgets which have been interpreted to apply to OFS.

It should also be noted that there are many areas of the OFS operation that can not be detailed at this stage in the development, most notably the actual uses and users of the building. Key to developing many of these areas is the need to decide on the basic approach and management option with is the key issue of this report. The business plans will need regular review as the project develops and as more confirmed information and market testing becomes available.

2. The Two Options

The two options can be summarised as follows, and are more fully set out in the Outline Business Plans:

Hires Option

This option proposes that the arts facilities of the building be operated through a simple hiring of spaces to suitable organisations and individuals who would generate the activities of the centre, both public and limited access.

This option proposes the use of a third party property management company who would manage the whole building, as a building. In addition they would operate the arts elements of the building including generating and administering the hires.

An outline Business Plan and five year financial projections for this option are attached as APPENDIX 2

Arts Company Option

This option proposes the creation of a new company specifically to operate the arts elements of the OFS. The company and staff will be developed with the specific skills and experience to be able to operate the arts facilities through the hiring of spaces, but doing this in a creative way that results in a coherent programme that more fully meets the needs of the arts organisations, individual, artists and Skylight. It results in an operation that more closely meets the original concept for this project.

An outline Business Plan and five year financial projections for this option are attached as APPENDIX 3

3. The Pre-operational Period

For both the options an operation will need to be in place before the building is open for use. This will be to undertake the following functions:

- Marketing the soon to be open facilities
- Accepting the hires or programming the first period of operation
- Building links with suitable partners

- Overseeing the final phase of fitting out the building including areas such as furniture and equipment
- Testing aspects of the building
- Undertaking areas of administration such as applying for licenses, arranging insurances, recruiting casual staff, etc
- Organising any opening celebrations

With this in mind provision has been made in the budgets for both options based on:

Option A Hires Model	Option B Arts Company
Property Manager and Marketing Manager appointed 3 months before opening	Arts Development Manager for 9 months prior to opening and Marketing Manager appointed 3 months before opening
General Manager, Technician and Receptionists appointed 2 weeks before opening	General Manager and Marketing Assistant for 6 months prior to opening
Allowances made for casual staff, marketing and general support costs	Technician and Receptionists for one month before opening
Management fees starts 3 months before opening	More substantial allowances for casual staff, marketing and general support costs. Allowance made for launch events and programmes.
The level of provision is markedly lower than that of the Arts Company as there will not need to be staff for setting up a Company, starting relationships and partnerships with arts organisations, establishing programme patterns, etc	Allowance made for setting up the new company and for an extensive programme of development before opening
The covering of these costs will need to be part of the bidding by the management companies and in the budget projects are carried forward to be recovered over the operating years	One off grants assumed to cover these costs

4. A Notional Annual Programme for the Main Arts Spaces

A notional programme for the patterns of use for the main arts spaces is attached as APPENDIX 4. This deliberately does not use company names or specific activity descriptions so as to avoid any suggestion that this might be an actual programme. The programme has been developed only to establish possible patterns of use so it is clear that the levels of use, suggested by the budgets, can be achieved and that uses are not incompatible. The programme has been used to support the arts company model. Some of the key features of the pattern are:

- Regular workshop activities will need to be flexible in respect of the spaces they use
- Performances at the weekends require some regular activities to be moved from the auditorium
- Week-long runs (on the same basis as currently available) require more changes to regular uses and also results in the auditorium being un-used for several sessions. A policy will need to be developed in respect of this type of use.
- Catering and bar is only feasible for certain types of uses

The hires model does not provide for active programming and therefore levels of use are projection on a percentage basis and using previous identified overall levels of use. These will need further testing as more information on uses is generated

A number of questionnaires (developed by the Arts Officers) have been returned but as yet there are not enough to be used in detail and all (as is usually the case) are inconsistent. However, they do already show a high level of interest in using the centre at good levels of usage. Some of those that have indicated the hire rates they are looking for are broadly in line with those proposed in these budgets, although other replies indicate a wholly unrealistic expectation. It should though be noted that experience from elsewhere indicates that arts organisations tend to over estimate their projected use, but that more general organisation will tend to under estimate their uses often increasing their levels once they see a finished facility.

5. Integration with Skylight's Work

One of the key aspects of the original concept for this project was that there could be a two-way synergy between the creative works developed by Skylight with homeless people and the arts programmes and activities of the arts uses of the building. These might include:

- Additional spaces at appropriate public workshops for Skylight users who wish to progress their interest in an activity beyond that offered by Skylight
- Extra workshops linked to Skylight activities by hire organisations
- Individual artists providing support to Skylight classes
- Organisations presenting performances with specific arrangements for Skylight users
- Hirers and the OFS operation offering work experience opportunities to Skylight users in areas such as stage management, technical operation, front of house duties and marketing and through this supporting the work of the arts operation
- Priority booking at concessionary rates for some performances for Skylight users
- Exhibitions of work created through Skylight's work in the gallery spaces

Within the hires model the capacity to develop these aspects will be limited. There will be no creative staff within the operation, each user will be an isolated activity, and there will be no overall programme. As such any links with Skylight's work will have to be established through one to one contact between Skylight staff and each user. This will be time consuming and difficult.

Within the arts company the capacity to develop these aspects will be central to the company's purpose and key in the appointment of their staff. The uses will be developed into an overall programme; there will be a creative relationship between the users and the OFS staff that can then link to Skylight. The staff of OFS and Skylight will be able to effectively work together, even in the hires only stages, to explore the full potential of the links. In the longer term new specific arts activities and partnerships will be possible that further assist in delivering these aspects of the original concept.

6. The Options Compared

The key features of the options are summarised in the following table:

Option A Hires	Option B Arts Company
The building will be leased to Crisis UK who will appoint a management company to manage the building and develop the uses	Either the building will be leased to Crisis UK or there will be separate leases to Crisis UK and the arts company. There will be an arrangement with the new Arts Company governing the operation of the arts elements and provision of other services
The uses will be developed through the hire of spaces and the hires will be accepted on a simple responsive basis, with only basic booking criteria	The uses will be developed through hires in the initial stages and the hires will be developed through creative relationships and result in an overall programme
Artistically this will be safe and unadventurous	Artistically this will be more exciting and adventurous and have the potential to develop further in the longer term
The links with the work of Skylight will be limited and difficult to achieve	Links with the work of Skylight will be an integral part of the operation
The staff are not likely to have arts experience	The staff will be appointed for their experience in running arts buildings and programmes and will be supported by a board of directors with a range of appropriate skills

In the following tables the two options are compared through a SWOT Analysis:

Option A Hires	
Strengths	Weaknesses
Commercial arrangement with much of the risk carried by the management company	Very weak artistic focus
Expert building management	May not meet the conditions of the capital grants
Possible savings in operation through economies of scale	No creative programme
Possibly more financially secure	Only established organisations likely to use the centre
Simple operation	Longer term development limited by lack of programming expertise
More focused on financial targets	Levels of use limited by likely clashes in types of use
Financially sustainable	Links to Skylight's work limited
	Unlikely to attract outside funding
Threats	Opportunities
Company too focused on financial targets and key arts users excluded	To link with other buildings operated by the same company so that uses are booked into most appropriate place with possible increased use of OFS
Company will only stay if the uses are generating sufficient income	To further reduce costs if company has further economies of scale
If company withdraws the responsibility reverts to Crisis UK	

Option B Arts Company	
Strengths	Weaknesses
A company specifically created to manage this building and its programmes	No back up operation
Financially sustainable	Tendency for arts staff to change jobs frequently
A staff with experience of arts buildings and programmes and supported by a board of directors with a wide range of	Potential to be too focused on programme rather than income needs

expertise	
Closer working with a wider arts community	Recruiting staff, probably from outside the area
Ability to attract more professional uses at high rates	
Much closer working with Skylight	
Ability to attract funding from a range of sources	
Core activities still delivered through hires	
Threats	Opportunities
More adventurous arts uses dependent on subsidy and are likely to be bigger users	To develop much greater use through contacts and partnerships in the wider arts world
Artistic approach excludes some current users	Ability to attract additional funding and in the longer term to develop more exciting programmes
Unable to recruit appropriate directors for the company	To develop new uses through residencies, partnerships, etc

A summary of the budget projects for each model are set out in the following table:

Option A Hires	Option B Arts Company									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
Staff	92,740	94,595	96,487	98,416	100,385	101,286	103,311	105,337	107,485	109,635
Overheads	42,137	43,260	44,415	48,250	49,555	40,916	42,074	43,267	45,040	46,321
Total Expenditure	£134,877	£137,855	£140,901	£146,666	£149,935	£142,201	£145,386	£156,299	£164,822	£173,551
Hire Income	61,750	65,630	69,782	74,230	78,995	65,920	70,008	74,379	79,057	84,064
Gallery	23,310	24,223	25,209	26,210	27,227	26,750	27,563	28,379	29,230	30,108
Workspaces	14,560	14,997	15,447	15,910	16,387	14,560	14,997	15,447	15,910	16,387
Offices	9,664	9,954	10,253	10,560	10,877	9,664	9,954	10,235	10,560	10,877
Catering	10,000	11,500	12,500	14,000	15,500	10,336	11,370	12,507	13,757	15,133
Other	14,988	15,579	16,199	16,199	16,855	13,725	14,642	15,335	16,308	16,978
Total Income	£134,272	£141,880	£149,390	£157,765	£166,533	£140,955	£148,523	£156,299	£164,822	£173,551
Surplus/deficit	-605	4,025	8,488	11,098	16,598	-1,246	3,137	7,655	12,297	17,595
Accumulated	-22,447 *	-18,421	-9,933	1,165	17,763	-822	2,315	9,970	22,266	39,861

* £21,841 brought forward as preopening costs. If this financed differently the overall figures would improved.

Key areas of risk for each option are summarised in the following table:

Risk	Option A Hires	Option B Arts Company
Levels of use in auditorium and performance studio not achieved	Improve marketing, focus on non-arts uses, increase some charges, reduce costs	Improve marketing, focus on professional and established arts, increase some costs. Fundraise
Use of the gallery not achieved	Find alternative uses for spaces for some of the time	Work with other artists or groups including art schools and colleges to create different programme
Company fails	Tender for new company. Contract will have a notice period which should allow time to find replacement	Revert to property management company model
Major problems with equipment or building	Unlikely given the investment in the project. But capital reserves will be small and only fundraising would deal with this. That would have to be done by Crisis UK	Same position but fundraising would be shared between Crisis UK and the arts company with potentially a much wide range of funders.
Quality and level of service not appropriate	The company may not have the experience to provide the level of services needed for arts events	The company may focus too much on arts uses
Inappropriate balance of uses	The focus on easier and more profitable users to the detriment of the arts uses	Arts uses may be given too much priority and thereby risk not meeting financial targets
Loss of key staff or directors	Staff easily replaced and mainly local. Directors not directly involved	Suitable staff difficult to recruit and likely to be from outside the area. Directors unlikely to leave in blocks. Constant programme of identifying potential directors is key
Cash flow issues	Limited immediate effect if company has a larger portfolio of buildings. If overall problem for company likely to lead to	Effects impact rapidly. Would need help from banks of CAF or similar bodies. Financial monitoring is essential

	failure of company and loss of contract	
Rent levied by Oxford City Council	Project is unsustainable if a commercial or near-commercial rent is charged	Project is unsustainable if commercial or near-commercial rent is charged

7. Conclusions

Although the hires option, operated through a property management company may deliver a useful addition to the arts and community resources of Oxford it does not meet much of the stakeholder's original vision for the project and this in turn may endanger the offer of the capital funding.

The Arts Company option although still not delivering the full original vision for the project (impossible without regular subsidy) it does immediately offer a much closer version of what was originally envisaged and has built into it the ability to deliver much more of that original exciting concept once additional resources become available.

On the basis of these assessments and assuming that the stakeholders are still committed to the key elements of the original concept (an exciting programme, innovative and experimental work, creative links between the arts activities and those of Skylight and the creation new opportunities for the communities of Oxford, including the marginalised) it is **RECOMMENDED** that the stakeholders should adopt the creation of the arts company as the way forward.

If agreed, action should be taken immediately to establish the company, appoint the first directors of the arts company so that they are actively involved in the development of the project and make this basis for the operation know to the wider arts community.

Brian Harris
Arts Development Consultant

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APPENDICES

- A Hires Option Outline Business Plan
- B Arts Company Outline Business Plan
- C Notional Programme for Main Arts Spaces