

GWYNEDD COUNCIL CABINET



Date of meeting:	10 March 2020
Cabinet Member:	Councillor Gareth Thomas
Contact Officer:	Roland Evans
Contact Telephone Number:	01286 679 450
Title of Item:	Invest to Save Scheme - Neuadd Dwyfor, Pwllheli

1. Decision sought:

1.1. The Cabinet is requested to:

- Support the principle of developing a capital invest to save project to a maximum value of £779,314 in Neuadd Dwyfor in order to improve the facility, to improve opportunities to raise income and ensure the safety of users;
- Recognise the risk of losing income as a result of closing the Neuadd during the construction work if it goes ahead;
- Support the allocation of a one-off contribution from the Council's Transformation fund for the investment - namely up to **£570,000 (capital)**;
- Support the re-profiling of savings as originally agreed for the profile outlined in table 8.1;
- Support the submission of applications to external bodies in an attempt to reduce the Council's contribution and to maximise the Council's investment value;
- Support the task of identifying and collaborating with local partnerships and organisations that could support the Neuadd to reach the full saving target of £100,000 in the medium term after the investment - by setting them a challenge to reduce the financial deficit and to assist the Council to make a permanent saving of £100,000 in the budget by 2025.

2. The reason for the need for a decision:

- 2.1.** Following the Council's decision on 2019 - 2022 savings, a saving target of £100,000 was set for Neuadd Dwyfor's Performing Arts Service. This target was to be realised through an Invest to Save scheme that would improve the Neuadd and opportunities to generate income there.
- 2.2.** Schemes have been developed, investment costs have been estimated and grant applications worth £120,000 have been submitted to Welsh Government.
- 2.3.** The Cabinet is requested to decide on the developed schemes and the financial resources that could be available to invest by the Council.
- 2.4.** There is also a need to highlight that the Department believes that the savings target will be extremely challenging to meet and that there is a risk that only £50,000 could be realised in the first two years. Beyond that, options and partnerships will need to be reviewed locally in order to reach the annual target of £100,000.

3. Background

- 3.1.** Neuadd Dwyfor is the home of a Theatre, Cinema and Library in Pwllheli and no substantial investment has been made in the building or its resources since 1996. It has now reached a crossroad in terms of its future. A Condition Report has been undertaken with no matters of concern being identified and the building is in a relatively good condition.
- 3.2.** Its future has been discussed many times in the past and there was an attempt to outsource and transfer the Neuadd during 2013-14 failed to progress - mainly due to the high costs of doing so. The Neuadd was also highlighted as an option for closure following the Gwynedd Challenge, but this was not supported at the time and a petition with over 7,000 signatures was received. Rather than close, the Council decided not to cut the budget, but for this to be conditional on discussing options with any local organisations with the intention of them taking responsibility for the facility to reduce the cost on Gwynedd taxpayers, and any savings were to be included in efficiency savings.
- 3.3.** Following this, and in looking at options from 2019/20 onwards, the Department reported that they had not been successful in finding a local organisation to take responsibility for the facility, however another project could deliver savings of £100,000 that would require investment to be achieved. In its meeting in March 2019, the Council agreed to include this proposal as one of its savings projects to be adopted to meet the Council's financial gap.
- 3.4.** A varied programme of services and arts and cultural activities are provided in the Neuadd and it plays an important role in the community and in the area's economy. There is keen support to the Neuadd amongst local residents and Pen Llŷn residents. It is also a resource within the town of Pwllheli that attracts a high number of visitors during the holiday season.
- 3.5.** There are no facilities, similar to those of the Neuadd, in Dwyfor or North Meirionnydd meaning that people would have to travel to Caernarfon, Bangor or Llandudno should it not exist and in 2018-2019 the Neuadd was visited by over 52,000 people.
- 3.6.** The cost of providing the Neuadd's Performing Arts elements for Gwynedd Council is £161,764. By 2022, provision cost is expected to reduce to £61,764.
- 3.7.** This is the only theatre / cinema provision now run by Gwynedd Council after Neuadd Buddug, Bala was transferred to Ysgol Godre'r Berwyn; it is therefore the only type of facility funded by all Gwynedd tax-payers. Running these two Centres has been a historical matter that was transferred from the Meirionnydd and Dwyfor District Councils following the Reorganisation in 1996.
- 3.8.** Having said that, the Council has a budget of £95,820 that offers Strategic Grants for the Arts in order to support arts activities across the County, e.g. Galeri Caernarfon, Pontio, Neuadd Ogwen, Canolfan Gerdd William Mathias, Frân Wen, Theatr Bara Caws, Literature Wales, Dawns i Bawb, Opra Cymru, Plas Glyn y Weddw, The Dragon Theatre and support is provided to Cyfeillion Theatr Derek Williams, Bala.
- 3.9.** The Council also commissions arts activities and sessions as well as small grants across the County through Gwynedd Community Arts which promotes agendas relating to health and well-being, education, loneliness, community vitality, the economy and gaps in provision. Arts sessions are also provided within our libraries.

4. Neuadd Dwyfor Business Review

- 4.1.** During 2017-18, a Business Review of the Neuadd was commissioned with funding from the Arts Council of Wales. The consultant highlighted fields for development in order to improve the performance of the Neuadd, its engagement with the local community and in order to ensure future sustainability.

- 4.2.** By undertaking surveys, forums and focus groups, we can see that many people feel that provision quality is high; however, a number of negative points are made, particularly in terms of uncomfortable seats, a cold foyer, the lack of food and drink facilities, the lack of engagement activities, new films shown later, the lack of signage in the town and the need to invest in better technology.
- 4.3.** Having said that, a number of positive points are also made, e.g. the positive impact of the Neuadd on local businesses, ticket prices, the Welsh arts programme and the importance of the Neuadd in the context of arts infrastructure in north west Wales.
- 4.4.** The Review explores options for the future and suggests that the option of investing to save could create savings of between £64,000 and £100,000 over a period of 3 years. The Department is cautious and sceptical of the £100,000 figure as there is a dependence on volunteers, external grants and as there is no guarantee that all improvements will deliver the suggested savings. We have scrutinised the options further and the possible costs and savings to the Council can be summarised as follows for the Performing Arts Service only. More detail can be seen in [Appendix A](#):

Closure	£
One off costs	170,000
	+ re-location of library
Current running costs	161,760
Annual savings following closure	(141,760)
Remaining running costs until the Building is disposed	20,000
 Invest to save in the Building	
Investment Costs	569,500
Current running costs	161,760
“Firm” annual savings from investing	(50,000)
Remaining running costs	111,760
Additional possible savings from achieving the Consultant’s assumptions in full	(50,000)
Remaining Running Costs	61,760

The Consultant suggests that out-sourcing or transferring the Neuadd could be investigated in the long term to reduce the running costs further – however Investment in the facility would be required before investigating.

5. Response: New Vision and Objectives to invest and improve the Neuadd

- 5.1.** Until recently, both services that operate from the Neuadd have operated separately with collaboration taking place on an occasional and ad-hoc basis. The management of both staff teams in the Neuadd was changed on 1 December 2019, so that they report to one manager.
- 5.2.** A Staff Team, Users Team and Project Board have now been established to move our vision and objectives forward.
- 5.3.** The Story House, Chester was visited in October 2019 and the implementation model there has given us ideas and an inspiration to move forward.

- 5.4. Story House is a new cultural centre in Chester. The regeneration of Chester city centre was at the core of the £37m project which offers the library with the longest opening hours in Britain and a varied programme of cultural events.
- 5.5. Our vision for Neuadd Dwyfor's transformation project is:
Create a unified space and service that inspires, supports and serves Gwynedd residents through cultural, social and educational experiences.
- 5.6. The aims of our project are seen in [Appendix B](#).
- 5.7. Neuadd Dwyfor corresponds to a number of national, regional and local strategies and makes an important contribution to agendas relating to health, well-being, language, culture, equality and regeneration.

6. Invest to Save - the need

- 6.1. In considering the need to invest to save, the Service has considered the proposals offered by the Consultant, the needs of the service and Gwynedd residents and most importantly - the realistic budget that could be available.
- 6.2. Given the financial climate, we have focused on making fundamental but crucial improvements that could lead to the delivery of savings for the Council, but also create a more favourable situation that could facilitate the transfer of the building to an organisation or to the community in future.
- 6.3. Gwynedd Consultancy was commissioned to work with us on schemes to deliver the main recommendations of the business review. The total of this capital cost is **£779,314** and further details are available on request.

7. FUNDING

Body	Finance	Status
Welsh Government	£50,000 - library £70,000 - library and accessible toilets	Confirmed Application submitted
Capital Receipts of the Economy and Community Department	£89,867	Confirmed
Gap to be funded by Gwynedd Council	£569,447	Application to the Gwynedd Council Transformation Fund

- 7.1. In addition to these amounts, there will be a potential loss of income to the Department while the Neuadd is closed - based on past trends, this is approximately £25,000.
- 7.2. Although there have been discussions with other potential funders, not many appropriate grants are currently available. Nevertheless, discussions will continue with: Arts Council for Wales, Visit Wales and the National Lottery Funds in an attempt to secure additional match funding.

8. Invest to Save - the potential income and potential saving for Gwynedd Council

8.1. After investing in the Neuadd, the following savings profile is anticipated:

	2021	2022	2023	2024	2025	PERMANENT TOTAL
Original savings profile	£50,000	£50,000	£0	£0	£0	£100,000
Amended profile for the Cabinet's approval	£25,000	£25,000	£20,000	£15,000	£15,000	£100,000

8.2. After scrutinising the work in the business review, the Economy and Community Department is confident that it will be possible to reach an income figure of £50,000 by delivering the changes and developing a new operational model in the Neuadd. This will be realised by:

Improving the food and drink offer	Increasing users by 5%
Reviewing the seats and acquiring new seats	Developing a participation programme
Reviewing the programme	Increasing digital marketing
Income from meeting / activity rooms	Improving the offer to the 'Friends of Neuadd Dwyfor'

8.3. By working with the Users Team and establishing a Friends Group, it is felt that local communities and organisations can be challenged to assist the Council to reach the savings target of £100,000 by 2025. If this challenge is not met, there is a risk that the running costs of the facility would continue to be over £111,000 annually to Gwynedd taxpayers.

9. Timetable

9.1. On receiving approval to proceed with the project, it is intended to operate to a restoration timetable of approximately five months. This means that the Neuadd will be transformed before the National Eisteddfod visits Dwyfor in 2021.

March - April 2020	Acquire a Constructor
April 2020	Appoint Constructor and agree on a work schedule
May - October 2020	Restoration and repair work - it could impact the Neuadd's programme and opening hours. It could also be closed for a period.
May - October 2020	Engagement work with the community and key stakeholders
Autumn 2020	Launch the Neuadd in its new form

10. The Future

10.1. As a result of the Council's investment, our vision for the future would be to transfer the Neuadd to a relevant body. Having said that, no relevant or appropriate body currently exists and in the past this did not succeed.

10.2. In the short term, it is felt that the best option for the Neuadd is to transform the managerial and operational arrangements in order to respond to our vision and investment objectives. In doing so, we are confident that it is possible to respond to the challenge of running the Neuadd at a reduced cost to Gwynedd taxpayers but also to create a much better service for Gwynedd residents.

10.3. Work is under way to develop a Users Group and Friends Group to support the Neuadd and it is possible that these groups - or an evolution of them, with support, could develop to become a body of which the Neuadd could be transferred to in the long term or become a body that could support the Council with sponsorship and fundraising campaigns, along with the development of a volunteer scheme.

11. Conclusion

11.1. Having reviewed the options, not investing to save would create a situation where Neuadd Dwyfor would be a resource generating more annual loss for the Council and put the viability and future of Neuadd Dwyfor at stake.

- 11.2.** As closing Neuadd Dwyfor would **also** require one off investment to be achieved, the difference in one off investment between both options (closing or improving the facility) is £399,500. Closure would clearly lead to more savings to the council; however it would also lead to the loss of an important facility locally. If all potential savings are achieved the facility would still cost £61,670 to all the county's taxpayers.
- 11.3.** Closing would detrimentally affect the town of Pwllheli and the area in terms of the economy and regeneration, and from an arts, cultural and linguistic viewpoint. It would remove an important resource from the community that would not be easy to re-establish or transfer to a third party.
- 11.4.** Investing to save would involve a one-off investment which would ensure that Neuadd Dwyfor had a realistic opportunity to increase income.
- 11.5.** Although it is felt that the £100,000 target, which was set as an additional income target by the Council, is ambitious, it is believed that it is possible for Neuadd Dwyfor to increase its current income level, and start to show an increase in income levels from 2021-22 onwards up to £50,000 per annum.
- 11.6.** By developing local ownership through a specific Friends Group and Project Group, it is believed that it will be possible to develop supportive structures to reduce the funding gap for Gwynedd Council in the medium term and try to reach the target of £100,000 by 2025.
- 11.7.** Even if the Neuadd succeeds in reaching its ambitious savings target of £100,000, and even if it may be possible, in the long term, to reduce the remaining running costs further through outsourcing; in the medium term, in supporting this proposal to invest, the Council will need to accept that in doing so it is inevitable that it will have to pay £61,760 to run the facility until an alternative plan emerges.

12. ANY CONSULTATIONS UNDERTAKEN PRIOR TO RECOMMENDING THE DECISION

Views of the Chief Finance Officer:

“As seen from the report, this is a request for an investment of £570k. I can confirm that there are sufficient resources in the Transition Fund to fund this investment, but of course this is not an unlimited source of funding and as with all other applications from the fund the Cabinet will need to weigh up if this use of resources meets its priorities.

Should the Cabinet agree to proceed with the plan there is a possibility that the department could find all of the expected savings by 2025 based on the amended profile, and I accept that without capital investment it is very unlikely that this will be realised. Re-profiling, by its nature, means that the Council may have to bridge the difference between the original and revised profile.

In addition to the capital investment referred to in the report, the subsidy given to the performing arts at Neuadd Dwyfor would remain above £60k per annum (at 2019/20 prices) even if all the savings were realised. This will remain significantly higher than the grants or subsidy provided to other similar cultural bodies operating within Gwynedd. Therefore, in reaching a conclusion on the decision sought the Cabinet will need to consider if it wants this to continue.”

Views of the Monitoring Officer:

“The report notes the reasoning for the Investment and the potential benefits in terms of the service to the public and savings. An investment of this nature, comes with risks attached in terms of achieving the benefits in accordance with the projections, and this will be a matter for the Cabinet to consider when assessing the matter. However, because of the Neuadd's current situation, the arguments for investing are clear, and this may facilitate the vision of transferring the Neuadd to a relevant body in the future. No further comment in terms of propriety.”

Views of the Local Member:

Cllr. Dylan Bullard: *I fully support the proposals from the Economy and Community Department relating to Neuadd Dwyfor. It is an important location that is widely appreciated in Llyn and Eifionydd. Unfortunately, due to the age of the building some refurbishment is required to make it useable to all. I ask that the Cabinet support all the proposals.*

Cllr. Hefin Underwood: *I support this important investment in Neuadd Dwyfor 100%.*

**Costs and Savings for Gwynedd Council deriving from Neuadd Dwyfor's future options
which are only relevant to the Performing Arts Service**

Option	Comments	Potential Costs / Savings
<u>Close</u>	<p>Uncertain whether or not it would lead to substantial savings for the Council or who would want to purchase the building in future.</p> <p>Contrary to the principles of Welsh Government's Transforming Towns + the Council's Regeneration agenda. 80% of Neuadd Dwyfor's audience noted that they spend an average of £5 per head in the town which is a contribution of over £100,000 per year to Pwllheli.</p> <p>Depriving a wide area of an arts and cultural provision which is an important part of the area's identity.</p> <p><u>One-off Costs:</u> Need to relocate the Library (one-off) £60,000 Staff redundancy costs (one-off) £25,000 Grant repayments (Welsh Government + Arts Council) £85,000 Total £170,000</p> <p><u>Annual Costs:</u> Maintenance of Empty Building until its disposal (annual) £20,000 Total £20,000</p> <p><u>Potential annual savings until the building is disposed:</u> Running Costs (£61,764) – Annual Costs £20,000) £41,764 <u>Potential annual savings from closure and disposal:</u> £61,764</p>	
<u>Investing in the building</u>	<p>This would lead to investing to save in the long term, reducing running costs for Gwynedd Council. After planning and preparatory work, investing to save costs have been estimated as follows:</p> <p><u>One-off Investment Costs for the COUNCIL</u> Capital works to improve the building and seats £569,447 Compensate income revenue whilst closed £25,000 Total 594,447</p> <p><u>Annual Costs for the Council:</u> £61,764</p> <p><u>Potential annual savings by developing an audience and income and as a result of collaboration with local organisations:</u> £50,000 - £100,000</p>	
<u>Outsourcing</u>	<p>Extensive options for outsourcing are not anticipated due to the current condition of the building. Opening a discussion with a third party could be an option - however, there would be a need to learn from the</p>	

	<p>experience of failed past discussions as a result of staff transfer costs and pension requirements (TUPE), the need to invest in the resource before transfer, administration costs and the cost of any financial contribution by the Council to a third party.</p> <p><u>Likely one-off cost if investment is made before transfer</u></p> <p>Capital works to improve the building and seats</p> <p>Compensate income revenue whilst closed</p> <p>Total</p> <p><u>The costs of transferring to another entity</u></p> <p>Uncertain what these costs would be without identifying a body to transfer</p> <p><u>Potential annual savings for the Council if successfully transferred without a grant / financial support (*although doing this is challenging.)</u></p>	<p></p> <p>£569,447</p> <p>£25,000</p> <p>£594,447</p> <p></p> <p>?</p> <p></p> <p>£61,764</p>
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Vision and Objectives of the Invest to Save project.

Our vision for Neuadd Dwyfor's transformation project is:

Create a unified space and service that inspires, supports and serves Gwynedd residents through cultural, social and educational experiences.

Our aims for Neuadd Dwyfor's transformation project is:

1. Create one team with a clear understanding of their roles and contributions to serve Gwynedd residents making better use of Council resources and budgets
2. Create a welcoming and easily accessible space for all
3. Create a programme of excellent cultural events on a joint basis
4. Reinforce Neuadd Dwyfor's place as an essential cultural and community centre for the area and economy of Pwllheli.
5. Improve library and arts provision in Dwyfor by providing the longest opening hours of any library in Gwynedd
6. Develop local structures and a programme of activities to develop audiences and engagement.
7. Develop a Friends Group for the Neuadd to support activities and ownership locally - that could develop to facilitate a transfer in future.
8. Invest in the building in order to respond to the needs of Gwynedd residents and the new vision in order to generate income and reduce costs for taxpayers.