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## REPORT ON EXPLORING OPTION 2 FOR SPAL

as recommended by SCC Communities Select Committee (07/11/2017)

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### Introduction

Making Music, representing leisure-time music groups in the UK; FOSPAL, the friends' organisation for SPAL; and IAML (UK & Ireland), the membership organisation for music libraries and librarians, were asked by the Communities Select Committee to join a forum with officers from SCC to explore what an 'Option 2' might look like for SPAL. 'Option 2' would see the currently council-run SPAL being run by an external body.

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### Current situation

#### Current Surrey Performing Arts Library (SPAL)

SPAL is one of the three largest specialist performing arts libraries in England.

#### Service outline:

- SPAL provides music sets, drama sets, single copies of scores and sheet music, books on music and drama, CDs and DVDs, at a location near Dorking leased from Denbies Wine Estate
- Currently the service opening times are 33.5 hours a week
- Advance reservations are possible
- ILL (Inter Library Loans (from and to other library services)) are possible

#### Current user numbers:

- Subscribing user groups (music): Surrey 239, non-Surrey 155 (Oct 2017)
- Subscribing user groups (drama): Surrey 98, non-Surrey 78
- Active user groups (music) 2016/7: Surrey 186, non-Surrey 110 (October 2017)
- Active user groups (drama) 2016/7: Surrey 88, non-Surrey 64
- Individual borrowers (one or more transactions in previous 12 months) (Aug 2017) across all disciplines: 1043

## **Wider context**

The services provided by SPAL on last full year figures represent 1.85% of overall Surrey Libraries costs; less than 0.013% of SCC's total budget; contribute 4.9% to Surrey Libraries income (more after interim charge increases are implemented in February 2018); and cost Surrey residents less than 18p per head per annum.

The provision of SPAL services contributes to SCC's corporate strategy 2017-2022, especially under the heading of 'Wellbeing', given the well-researched significant contribution made by participative arts activity (such as the music and drama groups supported by SPAL) to the physical and mental health of individuals, and in particular to young people, older people and vulnerable groups of people. SPAL also contributes towards the strategy goal of enhancing residents' experience in Surrey, supporting volunteer-led, self-funded community music and drama groups, which have a considerable impact on making a place desirable for residents and businesses and helping community cohesion. Groups also have a positive economic impact on Surrey, employing professionals and spending with local businesses (e.g. venues, printers etc.).

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## **Option 2 – outline**

### **Background**

Originally, SCC proposed three options. Of these, Option 3 (total closure) was rejected following the consultation and CSC meeting. Option 1 is proposed by SCC officers and its main characteristics are:

- Music sets and individual scores in one location
- Drama sets in another location
- Other materials dispersed throughout Surrey libraries (books on music/ drama/dance; CDs; DVDs)
- No dedicated premises
- No dedicated staff
- Potentially (but subject to budget) purpose-designed IT system allowing online interaction with users
- No dedicated stock replacement/investment (other than as part of general libraries stock budget)

It is our opinion, and that of over 65% of respondents to the consultation, that this option would not provide an adequate or future-proof solution for SPAL: diminished service, absence of knowledgeable staff, degraded stock with no provision for replacement or acquisitions and an absence of marketing are likely to lead to drop-off of users and income. Combined with continued pressure on SCC's libraries' budget, we do not consider this to offer a sustainable future.

It is against this background that we came to the reluctant conclusion that Option 2 (a SPAL run by a charitable body independent of SCC) would represent the only truly sustainable solution for this service.

### **Who could run an Option 2?**

Originally, we understood that SCC had been approached with offers from organisations which might take on the running of SPAL and that our role on the forum was helping officers and potential external providers to ensure such an independent SPAL was fit for purpose and what users needed.

As meetings progressed, we came to realise that potentially none of the conversations with external partners would lead to a successful outcome. Reluctantly, we - supported by users – therefore created an Option 2 vehicle ourselves. A Charitable Incorporated Organisation (CIO) called NewSPAL with six trustees, including the authors of this report, has now been successfully registered with the Charity Commission, charity number 1176729. A seventh trustee (already identified) with drama user experience will be appointed on 20 February.

Within two months of the Select Committee meeting, we have found ourselves moving from what we thought were advisory roles in a forum with SCC officers to creating a full Option 2 ourselves. What follows is therefore necessarily a basic outline, but one we think demonstrates that a credible Option 2 is possible and ready to be taken forward as soon as political approval is given.

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## **CIO Option 2 proposal**

### **Operational assumptions**

- NewSPAL will have to operate on a full cost recovery basis as soon as possible
- The entire collection to be kept together as it is now and managed as one single entity
- Use of proven Nottingham software system to manage NewSPAL interaction with users and reduce administrative costs and need for staff time

- Promotion of the service to (potential) users, including outside of Surrey
- Inter Library Loans (ILLs) – if continued (**CHALLENGE NO 4**) – to be on a full cost recovery
- Lending beyond Surrey residents as an important part of the business model

#### PREMISES

NewSPAL will need dedicated premises (though not at Denbies except (perhaps) as part of a transition arrangement). These will need to be at an affordable price and accessible to the public for collection and drop-off of materials and for limited browsing. The size needed (square metres of usable space) is between 385 (minimum), 440 (comfortable) and 520 square metres (preferred).

However, a CIO delivering public benefit as a charity by keeping charges low and making the service as accessible as possible to the widest range of users is unlikely to be able to afford a full commercial price for premium premises such as Denbies (**CHALLENGE NO 1**).

#### POSSIBLE TIMELINE (**CHALLENGE NO 3**)

- 8 Feb 2018 Communities Select Committee recommendation
- 27 March 2018 Cabinet decision
- April – June 2018: agreement between SCC and NewSPAL negotiated and signed
- July – August 2018: new IT system purchased, new premises found
- September – November 2018: stock audited/cleaned, added to new IT system
- January 2019: move to new premises; payment system set up; staff recruited
- Staff and users trained in new systems
- NewSPAL launches March 2019
- **Transition period = April 2018-March 2019**
- **Yr1 = 2019/2020; Yr2 = 2020/2021; Yr3 = 2021/2022**

#### OPENING HOURS

Assumed for this proposal 18 hrs per week (two mornings, two afternoons, one evening, part of Saturday).

#### STAFF

NewSPAL will need dedicated staff (though fewer than now). This proposal is based on 0.6 FTE of a professional music librarian post and 0.8 FTE of a support post. We believe this is the minimum level of paid staffing (regardless of any additional volunteer support) which would enable NewSPAL to be sustainable.

#### CHARGING STRUCTURE

- Music groups to pay as you go, monthly, per item (to maximise efficient use of stock and income)
- Drama groups to pay by annual subscription (reflecting the different pattern of usage for drama sets)
- Charges to individual users by modest annual subscription (applicable to borrowing of individual books, other materials, chamber music, instrumental music etc.)

#### IT SYSTEM

Adoption of the proven Nottingham purpose-built IT system for catalogue searching, reservations, admin etc. with an online payment system would be the obvious and most cost-efficient model for NewSPAL.

#### DELIVERY OF MATERIALS

- Pick up in person from the NewSPAL premises
- Courier delivery to anywhere in the UK (cost covered by user, whether individual or otherwise)
- Potentially via ILLs (subject to full cost recovery arrangements being agreed)

#### STOCK RENEWAL

No budget is currently included for stock binding, or replacement and acquisition of stock. FOSPAL has agreed that for Years 1-3 it will fundraise to provide funds for this crucial ongoing capital investment. Stock is also likely to become available (at low/no cost) from other closing performing arts libraries.

#### POTENTIAL USER NUMBERS

Surrey music groups: Making Music has 161 member groups in Surrey; based on DCMS/ACE data from 2008 (Our Creative Talent), Making Music covers an estimated 30% of all existing groups. That would mean approximately 536 groups in Surrey (more than double the number of groups currently registered with SPAL).

Outside Surrey music groups: Making Music has 2771 music groups in membership elsewhere in England (plus Scotland, Wales, NI); on the same data set quoted above that would mean at least 9237 groups in England, in addition to the 536 in Surrey, are at least potential users of NewSPAL.

NewSPAL will never sign up 100% of all music groups in the UK; however, the numbers above indicate that there is a large pool of potential users which may currently be untapped.

## **CHALLENGES**

### **No 1: Premises**

We have started investigating potential solutions and are now confident we can solve this by early 2019.

- Denbies Wine Estate where SPAL is currently located is not suitable in the long term. Current lease conditions as agreed by SCC until 2021 are unaffordable for NewSPAL. However, this means there is no additional cost to SCC in hosting SPAL at Denbies for the transition period (Apr 2018-Mar 2019)
- We have been informed that there are no suitable premises owned by SCC currently available which could be leased to NewSPAL.
- We have a statement from the Chief Executive of Woking Borough Council that they would be open to discussions and envisage being able to help find at least an interim solution for NewSPAL in Woking.
- We understand that SCC officers have a potential premises partner for NewSPAL in mind but we have not yet been put in contact.
- We have further contacts and ideas we are hesitant to explore until we have a steer from CSC and/or a decision from Cabinet as to whether they are committed to the delivery of the outlined Option 2.

### **No 2: Set-up costs**

We are appending a separate budget for the transition and set-up period (separate from operational budget). The investment is estimated at £83,822 in addition to the running costs during the transition year (2018/2019).

In addition, NewSPAL would need subsidy of approximately £30k and £15k respectively for operational years 1 and 2. It is anticipated that this subsidy would be raised from a source other than SCC (e.g. via free or subsidised use of premises).

This investment of £83k plus the one year transition are necessary to ensure that NewSPAL becomes self-sustaining as quickly as possible and is set up well enough not to fail.

### **No 3: Timeline**

We first heard of the proposed consultation on the future of SPAL in August 2017 and were told a solution had to be in place by 1 April 2018. We have consistently expressed the view that this is not realistic; indeed Cabinet won't now take a decision until 27 March.

Our proposed timeline is achievable, but it would mean SCC only achieving part of its proposed budget saving on SPAL in 2018/9, with the rest achieved from 1 April 2019. Savings for SCC still running SPAL in the transition year 2018/9 (compared to the current SPAL budget) would be achieved by increasing charges (already set up), reducing opening hours and restricting public access for browsing.

### **No 4: Inter Library Loans (ILLs)**

The challenge here is how to make the widest possible range of materials in the performing arts (wherever and by whomever held) available and accessible to individuals and community groups in Surrey. NewSPAL (as an independent library) could register with the British Library and continue to provide ILLs; however, we have not yet decided if that would be manageable initially or indeed the best possible solution (versus, e.g., bilateral agreements with other major providers).

## OPERATIONAL BUDGET FROM 1 APRIL 2019

<b>EXPENDITURE</b>	<b>Year 1/2/3</b>		
Staffing - 0.8 FTE, support/non-librarian	£18,610		
Staffing – 0.6 FTE, professional music librarian	£20,373		
NIC/Pension costs	£4,305		
Management fee (operations/finance etc.)	£4,000	annual fee	
Staff travel	£200		
Training	£500		
Furniture	£500		
Stationery	£150		
Library Management System software fee (Notts)	£4,000		
Computer consumables (ink and paper)	£840		
Computer support	£500		
Marketing	£500		
Tel/broadband charges	£1,800		
Insurance	£3,600		
Postage	£300		
Subscriptions to organisations	£500		
petty cash	£300		
Stock (inc binding, online resources)	£0	to be fundraised by FOSPAL	
Stationery (jackets etc.)	£0	to be fundraised by FOSPAL	
Day to Day Maintenance	£480	rubbish etc.	
Security Alarm Maintenance	£960		
Utilities	£4,800		
Rates	£5,000		
Cleaning and Domestic Supplies	£4,000		
Secure waste	£200		
Rent (based on 428 sq m GIA at £70 psm)	£29,960		
<b>Total expenditure</b>	<b>£106,478</b>		
<b>INCOME</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
based on av. last 3 years; charges +20%; groups & sales standstill in Y1; growth in Y2 and Y3	£80,741	£88,815	£106,578
<b>Total income</b>	<b>£80,741</b>	<b>£88,815</b>	<b>£106,578</b>
Surplus/deficit	-£25,737	-£17,663	£200
<b>Subsidy required</b>	<b>£25,737</b>	<b>£17,663</b>	<b>-£200</b>
<b>Option for covering shortfall in years 1 &amp; 2</b>			
premises subsidy: yr 1 100%; yr 2 50%; yr 3 0%	£29,960	£14,980	£0
<b>TOTAL FOR YEAR PROFIT/LOSS</b>	<b>£4,223</b>	<b>-£2,683</b>	<b>£200</b>

## TRANSITION PHASE AND BUDGET

There are four strands to the transition phase.

### HANDOVER FROM SCC TO NewSPAL

- Practical modalities (who, when, what, how)
- Legal aspects of an external body taking over publicly owned assets (the collection), including looking at how/whether/by whose decision stock in future can be disposed of
- Agreement regarding physical assets, e.g. desks, rolling stacks, shelves etc.

### IT SYSTEM

- Specifying and commissioning (working assumption: Nottingham system), with adjustments if required
- Deciding on structure of charges/rules (e.g. re late returns) and implementing these in the system
- Purchase of equipment, e.g. barcode readers etc.
- Organising of volunteers and/or staff to audit and clean stock, then input titles into the new system and scan copies onto the new system
- Training of staff, volunteers and users on the new system
- Creating payment and accounting systems to work with the IT system

### PREMISES MOVE

- Finding new premises and agreement of lease
- Fitting out new premises, including broadband and utilities.
- Physical move
- Setting up stock in new premises and readying for service

### CHANGE MANAGEMENT

- Managing users through the journey: alerting to change; communicating transition arrangements; consulting on new charges; enlisting their help to catalogue/clean up stock; train users on new system
- Recruiting new staff, managing handover from SCC staff, ensuring customer service is maintained
- Liaising with SCC officers and elected members to ensure external communication agreed and consistent at all times, maximising positive PR for both parties, minimising potential negative stories
- Preparing and managing the launch of the new service, to users and potential new users; using this to maximise the opportunity of the new service to reach its financial and usage goals for years 1 to 3

## TRANSITIONAL BUDGET 1 APRIL 2018 TO 31 MARCH 2019

<b>Capital investment needed</b>		
Library Management System (Notts software)	£10,000	
Computer hardware (2 staff terminals + barcode readers + public)	£2,000	
rolling stacks/shelves/desks/other furniture	£0	SCC assets passed to NewSPAL
<b>TOTAL CAPITAL INVESTMENT</b>	<b>£12,000</b>	
<b>Transition management</b>		
Relocation costs	£40,000	physical move, set up of new premises
Project management, part-time over 12 months	£20,000	managing move, negotiating agreements, organising volunteers, change management
Transfer of stock to new IT system/volunteers	£0	£10,000 value in volunteer hours; looking to user groups to provide volunteer support
Recruitment & training of new staff in preparation for CIO launch	£10,822	3 months of new staff costs
Marketing	£1,000	launch and promotion of new service
<b>TOTAL TRANSITION MANAGEMENT</b>	<b>£71,822</b>	
<b>TOTAL COST OF TRANSITION TO NewSPAL</b>	<b>£83,822</b>	

## **SUMMARY AND CONCLUSIONS**

As outlined in this paper, we – and the users we represent between us – remain fundamentally of the view that a service such as SPAL should be provided by Surrey County Council.

We do believe it is possible to make this service financially sustainable and cost neutral for SCC, if it were minded to do so. The authors of this paper and SPAL users would support such a solution were SCC to adopt the principles we have outlined above to make SPAL cost neutral while remaining under SCC control.

If, however, SCC is not minded to continue running this service (except through the adoption of Option 1 which we consider, for the reasons we have set out, to be flawed), even if it was self-sustaining, we have a charitable vehicle set up with a viable plan to take on the running of SPAL.

### **Summary of benefits to SCC of adopting our proposed Option 2:**

- **SPAL collection remains together and available with dedicated staff and premises to residents in Surrey**
- **Charitable vehicle means funding options are open to it that may not be open to SCC**
- **Following the transition year (2018/9) and set-up costs for NewSPAL, SCC would no longer have to concern itself in any way with SPAL, thus avoiding having to take other unpopular decisions further down the line and therefore any ensuing bad PR for SCC**
- **SCC would benefit from considerable positive PR in connection with the proposed Option 2 as it would be seen to be facilitating this community service, despite its financial constraints, and handing over a cherished service to be user-led and sustainable for the longer term**

**However, these benefits will only accrue if SCC is willing to invest in the handover as outlined above – managing SPAL on reduced costs/increased charges for 2018/9 and financing the set-up.**

**We urge the Communities Select Committee to recommend this Option 2 to Cabinet, including the transition arrangements we are proposing.**

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