

## PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee 15 June 2016

**SECURING THE FUTURE FOR CULTURE AND SPORT  
IMPLEMENTATION UPDATE****Report by Senior Depute Chief Executive, ECS  
(Equality, Community Planning and Public Service Reform)**

To update the Committee on the implementation of new contract arrangements for Culture and Sport services, as approved by Full Council in July 2015 (paper [15/295](#) refers) and asks the Committee to:-

1. Note the progress to date and
2. Approve the financial commitment to agree a service contract with Live Active Leisure for delivery over the period 2016/2017 - 2018/2019, contingent on Live Active Leisure meeting the continuous improvement requirements of the Council.

**1 BACKGROUND / MAIN ISSUES**

- 1.1 Report [15/295](#), approved by Council on 1 July 2015, set out the future commissioning and delivery arrangements for Culture and Sport Services from 1 April 2016.
- 1.2 Council approved the re-specification of contract arrangements with Live Active Leisure (LAL) and Horsecross Arts (HXA), and to establish new contractual arrangements with a new Culture Trust, now named Culture Perth and Kinross (CPK). These three Trusts are responsible for service delivery as follows:
  - All sport and leisure services commissioned by the Council, including Active Schools and Sports Development, to be delivered by LAL. Active Schools and some aspects of Sports Development (i.e. the Community Sports Hubs initiative) are ring-fenced within the contract as they are funded by sportscotland and the Council remains accountable to sportscotland for investment in these services.
  - Performing arts commissioned by the Council including management of Perth Concert Hall and Perth Theatre and some Creative Learning will continue to be delivered by HXA.
  - Museums and Galleries, Libraries, Archives/Local Studies, Arts Development and some Creative Learning will be delivered by CPK.

## **2 PROPOSALS**

2.1 This presents an opportunity to refresh and update the contractual arrangements to ensure Best Value and to examine the Key Performance Indicators for the provision of services by all three Trusts.

2.2 Work in this area has resulted in :-

- LAL and HXA being asked to complete a 'soft tender' exercise where they presented a fully costed service proposal in response to the Council's revised service specification. These proposals were reviewed in detail by officers to ensure a clear understanding of the cost base for each Trust and scope for future efficiencies;
- In the context of the Council's accredited status as a Living Wage employer LAL have committed to meet the requirements of the Living Wage Foundation by 2017/2018, and HXA have committed to implement the National Living Wage in 2016/17 and move towards meeting the Living Wage Foundation Level from 2017/18. (Culture Perth and Kinross already meets Living Wage requirements as staff who transferred to the Trust from the Council were above the Living Wage threshold).
- Key performance indicators for all three Trusts that are clearly aligned to the Council's strategic targets for Culture and Sport, approved by Lifelong Learning Committee in January 2016;
- A revised robust governance assurance framework has been formalised with all three Trusts;
- All three Trusts are committed to continuous improvement plans. These include the existing requirement to achieve £160,000 through shared service arrangements between all Trusts, plus further efficiency initiatives which each Trust is responsible for delivering; and
- Scope for the Council to achieve further non domestic rates (NDR) savings from a number of sports facilities (for example Perth High School Community Sports Hub; Perth Academy Sports Hall and Auchterarder Sports Hall) for which management responsibility could formally transfer to LAL. This work is being progressed jointly with LAL.

2.3 The most detailed contract negotiation has taken place with LAL in view of the size of the contract award and the wide range of activities and locations that LAL operates.

2.4 The process for agreeing a contract with CPK was slightly different to that of LAL and HX with a baseline specification prepared from the previous Culture Services service level. A one year Services Agreement is in place from 1 April 2016 - 31 March 2017.

- 2.5 A one year Service Level Agreement is also in place with HXA, with some additional conditions in place requiring HXA to achieve continuous improvements in relation to efficiency savings and demonstrating a well planned approach to business change in advance of Perth Theatre re-opening in late 2017.
- 2.6 One year Service Level Agreements are in place with both culture Trusts because the Council has agreed that a further review of these Trust arrangements will commence in 2017. This has been discussed and agreed with both organisations.
- 2.7 LAL has proposed a Financial and Service Forecast Plan as part of its service proposal. The plan sets out how LAL proposes to deliver savings and income generation over the three year period, to:
- Absorb additional inflationary, contract and other expenditure pressures over 3 years, without requesting an increase to the Council's financial contribution.
  - Cover the costs of implementing the Living Wage by 2017/18, to support the Council's Living wage accreditation status – without additional cost to the Council.
  - In recognition of the pressures on the Council's budget – deliver an average 2% per annum reduction in the Councils contract fee in years 2 and 3 (i.e 2017/18 and 2018/19)
- 2.8 These proposals from LAL are relevant on the Council committing to a further two year contract following 2016/17, therefore creating a 3 year contract with LAL. A three year contract confers several benefits:
- It will enable more strategic business and financial planning by LAL, to the benefit of both parties, and importantly to customers.
  - LAL has committed to participate in strategic transformation review over the 3 year period. These are outlined in para 2.10.
  - Reduces management capacity from both parties currently being committed to the Council's annual budget process, because longer-term strategic priorities are jointly agreed.
- 2.9 It is recommended that two safeguards are included in the contractual agreement if approval is given for a 3 year contract:
- (a) As the Council's budget for 2017/18 and 2018/19 is indicative, and in view of the uncertain future financial climate, it would be inappropriate to unconditionally "ring fence" contract funding to LAL for 3 years. The commitment by the Council to funding LAL over the next 3 years is a statement of intent. However it is prudent to insert an annual break provision into the contract, should significant future changes in the

financial climate necessitate a review of Council funding to external organisations (including LAL), as part of the wider budget review measures.

- (b) Continuation beyond year 1 of the contract will be contingent upon LAL demonstrating both its commitment to, and progress with, meeting cost savings/income generation and performance targets in year 1 and continued full participation in the ongoing review of shared services with HX and CPK, and support for the Council in seeking further savings through Non Domestic Rates, and Transformation Reviews.
- 2.10 To help achieve savings targets, (both for the Council and LAL) LAL will be involved in the Council's Property Assets Transformation Review as it is a key partner in operating local facilities owned by the Council or LAL itself. Additionally, LAL will be involved in the Council's Transformation reviews of Campus facilities and asset management of the school estate.
- 2.11 LAL has identified what it regards as a key need to review the contract amounts awarded for the 'core' contract for operation of sports facilities and delivery of sports programmes and the separate contract between the Council and LAL for services at the Investment in Learning (IIL) Campuses. LAL highlight that some facilities and socially prioritised programmes which historically operate at a deficit are therefore 'cross-subsidised' by LAL's ability to generate revenue from other activities and venues, including the Campuses. Previous operational reviews have realised efficiencies across both IIL and the core contract with LAL. Officers have agreed to consider this point further in the course of 2016/2017.

### **3 CONCLUSION AND RECOMMENDATIONS**

- 3.1 Having reviewed the contract proposal and continuous improvement plan in detail, and following extensive dialogue with LAL, officers are satisfied that this arrangement will secure value for money over the current financial year and the ensuing two years, and will enable a partnership with LAL that can deliver longer term solutions to meet both the demand for improving services and savings pressures. A three year contract, will allow officers and LAL to focus on the critical service delivery issues and challenges, without the distraction of negotiating a new contract each year.
- 3.2 It is recommended that the Committee:
- (i) Notes work to date to revise contract arrangements with all three Trusts from which the Council commissions culture and sport services, to secure Best Value; and
  - (ii) Approves the award of a further two year contract to Live Active Leisure for the period 2017/2018 - 2018/2019, subject to the commitment to continuous improvement being met (as detailed in section 2.9 (b) in 2016/17.

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**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
John Fyffe	Senior Depute Chief Executive, ECS (Equality, Community Planning and Public Service Reform)	23 May 2016

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	<b>YES</b>
Corporate Plan	<b>YES</b>
<b>Resource Implications</b>	
Financial	<b>YES</b>
Workforce	
Asset Management (land, property, IST)	<b>YES</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>YES</b>
Strategic Environmental Assessment	<b>YES</b>
Sustainability (community, economic, environmental)	
Legal and Governance	<b>YES</b>
Risk	
<b>Consultation</b>	
Internal	<b>YES</b>
External	
<b>Communication</b>	
Communications Plan	

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

- 1.1 The proposals support the delivery of the Perth and Kinross Community Plan aim for a vibrant and successful area by supporting a local Community group seeking to retain a surplus Council asset as a community facility.

#### Corporate Plan

- 1.2 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:
- i) Giving every child the best start in life
  - ii) Developing educated, responsible and informed citizens
  - iii) Promoting a prosperous, inclusive and sustainable economy
  - iv) Supporting people to lead independent, healthy and active lives
  - v) Creating a safe and sustainable place for future generations.
- 1.3 This report relates to ii), and iii) above.

## **2. Resource Implications**

### Financial

- 2.1 By entering into a contract with LAL now for the financial years 2017/2018 and 2018/2019, the Council is giving a statement of intent for funding LAL for the 2017/2018 and 2018/2019 financial years. This reports sets out in section 2.9(a) the safeguards, should significant changes in the financial landscape require a review of these arrangements and where this commitment represents best value for the Council.
- 2.2 The proposals indicate a reduction of 2% in the contract sum awarded to LAL each year, in 2017/18 and 2018/19.

### Asset Management (land, property, IT)

- 2.2 None.

## **3. Assessments**

### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 This section should reflect that the proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- (i) Assessed as **not relevant** for the purposes of EqIA

### Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 This section should reflect that the proposals have been considered under the Act and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

### Legal and Governance

- 3.5 The Head of Legal and Governance Services, The Head of Strategic Commissioning and Organisational Development, and the Head of Finance have been consulted in the preparation of this Report. Officers from Legal Services have participated in officer working groups.
- 3.6 Legal Services have advised throughout on the legal implications of the proposal, including the requirements of the duty to achieve Best Value.

## **4. Consultation**

### Internal

- 4.1 The Director (Education & Children's Services), the Director (Environment), the Head of Finance and the Head of Legal and Governance Services have been consulted in the preparation of this report.

## **5. APPENDICES**

- 5.1 None.