

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee

13 June 2018

CULTURAL TRUSTS TRANSFORMATION PROJECT: OUTLINE BUSINESS CASE AND NEXT STEPS

Report by Depute Chief Executive (Chief Operating Officer) (Report No. 18/194)

PURPOSE OF REPORT

This report asks the Committee to approve the scope for reviewing current delivery models for culture services commissioned by the Council, as part of the wider 2018/19 Transformation Programme.

1. BACKGROUND/KEY ISSUES

- 1.1. Perth and Kinross Council commissions 100% of the culture and sport services which it funds from three Arms-Length External Organisations (ALEOs):
 - Operation of Perth Concert Hall and Perth Theatre, and delivery of performing arts programmes – Horsecross Arts Limited (HX, est 2005)
 - Operation of public library, archives, local studies, museum and gallery services – Culture Perth and Kinross (CP&K, est 2016)
 - Operation of all leisure centres and delivery of sport and leisure activities except school PE activities – Live Active Leisure (LAL, est 1967)
- 1.2. These arrangements have been in place since April 2016. In July 2015 Perth and Kinross Council carried out Phase 1 of a review of its culture and sport delivery models. This was required to achieve £542,000 approved savings from April 2016 onwards. Council approved a further shift to the commissioning of culture and sport through ALEOs. Report 15/295 refers.
- 1.3. The options appraisal completed in the Phase 1 review identified a single Culture Trust as the preferred long-term option for future commissioning of culture. However this option was assessed as undeliverable in the timescale required to deliver the required £542,000 saving. This was largely because of significant change which HX was undergoing at that time.
- 1.4. The Council therefore approved a further option to establish CP&K as a second cultural Trust capable of realising major business rates savings (£300,000+) within the required timescale. The Council also committed to re-examine these arrangements in 2017/18 in a Phase 2 review. This will now be carried out, monitored and reported on as part of the wider Transformation Programme.

- 1.5. In completing the Phase 1 review, the option to create a single Culture and Leisure Trust was also examined. This had significant advantages but was judged to be structural change at a scale undeliverable in the timescales required to achieve required savings, and likely to incur significant costs of change. In addition it did not score highly on acceptability criteria. It is therefore not proposed to revisit this option in the Phase 2 review which will focus on culture services. However wider improvements to the commissioning process for sport and leisure will continue to be considered within the Council's ongoing Transformation Programme.
- 1.6. Since the Phase 1 review in 2015 a number of new factors have emerged:
- The increased policy focus within the Council on culture-led regeneration to stimulate tourism growth including a £20M capital commitment to new cultural attractions in Perth.
 - The PKC budget process which requires significant further revenue savings from ALEOs over the next 3 years including a £150,000 recurring revenue saving to be realised from the proposed single Culture Trust and associated economies of scale
 - The 2017 Barclay Review of business rates and the Barclay recommendation to remove NDR relief from ALEOs. This has not been implemented by Scottish Government for the time being, but no new ALEOs, or properties transferred to existing ALEOs after 1 April 2018 will be eligible for relief
 - The new national funding settlement for Horsecross Arts of £1.6M over 3 years
 - Continuing changes in customer use of libraries which face major challenges in maintaining usage and generating income.
- 1.7. **Appendix 1** sets out the proposed scope for the Culture Trusts review as a Transformation Programme Outline Business Case. Continued engagement with the two ALEOs at both Board and senior staff level will be key and both ALEO have been regularly updated on the Council's thinking with this review. Stakeholder workshops are being planned throughout the review process and the ALEO Chief Executives have been invited to join the Review Project Team, as their input and perspective will be critical.
- 1.8. In May 2018 Audit Scotland published its latest report on the role of ALEOs in Scotland. This reinforced that ALEOs have many strengths in enabling Councils to deliver key services. It also emphasised the need for Councils to regularly review arrangements and ensure they have a clear rationale for establishing and maintaining ALEOs.

2. PROPOSALS

- 2.1. The proposed aim is to **identify and implement a future delivery model for culture which maximises social, economic and tourism benefits for Perth and Kinross and protects frontline Council investment.**

2.2. The proposed objectives are:

- To protect/maximise Council revenue investment in culture.
- To identify the most efficient and effective model for operating 5 major cities centre venues from 2021: Perth City Hall; Perth Museum; Perth Concert Hall; Perth Theatre and the AK Bell Library.
- To investigate current indirect costs to the Council of maintaining the current 2 Trusts model and identify potential for efficiencies
- To investigate how new income streams for culture can be grown and diversified including opportunities to commercialise services where appropriate
- To identify any wider collaboration opportunities to strengthen the quality of the cultural offer across Perth and Kinross and create further efficiencies

2.3. The project will evaluate the options for delivering culture through a single delivery organisation from 2019/20 onwards. Culture services in scope are:

- All performing arts services currently commissioned from HX (theatre, classical and contemporary music, dance, spoken word)
- All museum, heritage & gallery services currently commissioned from CP&K
- Library, local studies & archive services currently commissioned from CP&K
- Creative Learning services currently commissioned from HX Arts and CP&K
- Conference & business tourism services currently commissioned from HX
- Public art and public realm activities services currently commissioned from CP&K
- Wider cultural activities delivered by the Council as part of its Events Strategy

2.4. Culture services not in scope are:

- The Instrumental Music Service in schools. This was examined during Phase 1 and subsequently transferred to Education Services (Secondary and Inclusion) in April 2016.
- Performing arts activities delivered by Perth Festival of the Arts and Pitlochry Festival Theatre. These are funded through 3rd party grants rather than the ALEO mechanism.

Options Appraisal

2.5. Core options are as follows and may be amended/expanded following the research stage:

Option 1-Status Quo (2 sole member company Trusts)

The Council's current position is that a single Culture Trust emerged as the preferred option from Phase 1 of Securing the Future for Culture and Sport.

However the status quo will be re-tested in light of any major new factors which emerge from the research stage.

Option 2: Single Culture Trust - sole member company – all services in scope.

This will re-examine the preferred option which emerged from Phase 1, Securing the future for Culture and Sport.

Option 3: Single Culture Trust – fully independent from PKC – all services in scope

This will re-examine the model in place prior to 2012 when HX Arts was fully independent from the Council. However this model does not enable the Council to meet its statutory responsibilities of Best Value (BV) and Following the Public Pound (FPP) and may require the Council to tender services.

Option 4: Single Culture Trust – other constitutional status (e.g. Scottish Charitable Incorporated Organisation (SCIO)) – all services in scope

This will examine alternatives to the SMC model which enable PKC to meet its statutory duties, for example the SCIO model used for Culture and Leisure Dundee.

Option 5: Hybrid delivery model: Single Culture Trust *plus* in-house and/or community-led delivery

Some key services, in particular Libraries and Archives, have very limited scope to generate additional income but are important universal statutory services and community assets. Some Councils have retained in-house delivery models for these services whilst other models have emerged in the UK/elsewhere enabling community self-management of library buildings outside core opening hours. A hybrid delivery model may enable PKC to focus future investment on areas which will always require significant public funding to be sustainable, whilst enabling other cultural activities with most potential to generate external income to be delivered arms-length through a Trust.

- 2.6. External legal advice on the benefits/disbenefits of the sole member company model for ALEOS was last obtained by the Council in early 2017. This will be refreshed to ensure no significant factors have changed but will not otherwise be extensively re-examined.

Key Deliverables and Timescales

- 2.7. The key deliverables for this Transformation project are as follows:

- Project scope approval; Strategic Policy & Resources Committee: 13 June 2018
- Stakeholder engagement: ongoing
- Review undertaken: June-November 2018

- Recommendations to Strategic Policy & Resources Committee:
28 November 2018
- Implementation phase: January 2019 onwards

2.8. The Project Board will receive monthly progress reports. 8 weekly reports will be submitted to EOT to track the progress of the project in alignment with the wider Transformation Programme. Where key decisions require Elected Member direction, these will be reported to the Strategic Policy and Resources Committee.

3. RECOMMENDATIONS

3.1 It is recommended that the Committee

- Notes the background to selecting the area for review;
- Approves the outline business case for the project and
- Notes the timescale for delivery set out in para 2.7.

Author

Name	Designation	Contact Details
Fiona Robertson	Head of Culture and Public Service Reform	01738 475000

Approved

Name	Designation	Date
Jim Valentine	Depute Chief Executive (Chief Operating Officer)	21 May 2018

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IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	No

1. Strategic Implications

Community Plan / Single Outcome Agreement

- 1.1. This report relates to the delivery of the Perth and Kinross Community Plan / Single Outcome Agreement in terms of the following priorities:
- Promoting a prosperous, inclusive and sustainable economy
 - Creating a safe and sustainable place for future generations.

Corporate Plan

- 1.2. This report relates to the achievement of the Council's Corporate Plan Priorities:
- Promoting a prosperous, inclusive and sustainable economy;
 - Creating a safe and sustainable place for future generations.

2. Resource Implications

Financial

- 2.1. There are resource implications to this report. A fixed term Graduate Trainee post has been appointed to support delivery of the project. This will be funded from underspend in the 2017/18 Transformation Programme.

Workforce

- 2.2. There are no direct workforce implications arising from this report but there may be workforce implications for the ALEOs and relevant Council staff which arise from the review process. These will be examined and reported to the Committee as part of the review recommendations/conclusions.

Asset Management (land, property, IT)

- 2.3. There are no direct asset management issues arising from this report but there may be asset management implications for the Council which arise from the review. These will be reported to the Committee as part of the recommendations/conclusions.

3. Assessments

- 3.1. This report has been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

(i) Assessed as **not relevant** for the purposes of EqIA.

An EQIA will be completed as part of the review process.

Strategic Environmental Assessment

- 3.2. The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

Assessed as not relevant for the purposes of Strategic Environmental Assessment

Sustainability

- 3.3. None.

Legal and Governance

- 3.4. There are no direct legal and governance implications to this report but there will be governance implications which arise from any new delivery model for culture services. These will be examined and reported to the Committee as part of the review recommendations/conclusions.

Risk

- 3.5. A risk profile has been completed as part of the Outline Business Case for this Transformation Project as follows:

Risk Description	Impact Scale (1 to 5)	Likelihood Scale (1 to 5)	Action Plan to Mitigate Risk
Acceptability of change for Boards of current Trusts	4	5	Political and senior executive leadership within PKC Effective communication & engagement plan
Lack of staff buy-in and loss of key skills	4	4	Leadership from Boards and CEOs of existing Trusts Effective staff communications plan Transparent staff consultation process
Acceptability of change for key external funders	3	5	Effective communication & engagement plan
Loss of future funding and revenue opportunities	2	5	Robust research, financial analysis and legal advice
Acceptability of change for elected members and the public	4	2	Effective communication plan linked to cultural transformation programme & rationale

4. Consultation

Internal

4.1. The following have been consulted in the preparation of this report:

Internal

- Chief Executive
- Head of Legal and Governance
- Head of Community Planning, Strategic Commissioning and OD
- Head of Finance
- Corporate Human Resources Manager

External

- Creative Scotland
- Museums Galleries Scotland
- Chair and Chief Executive, Culture Perth and Kinross
- Chair and Chief Executive, Horsecross Arts

5. Communication

5.1 A Communications Plan to support internal and external communications will be prepared and monitored/updated by the Project Team.

6. BACKGROUND PAPERS

None.

7. APPENDICES

Appendix 1 Outline Business Case