

<b>COMMUNITY DEVELOPMENT SCRUTINY PANEL</b>	<b>Agenda Item No. 7</b>
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## **Report of the Head of Culture**

**Report Author – Kevin Tighe, Head of Culture**  
**Contact Details – 01733 863784**

### **CULTURE AND LEISURE TRUST**

#### **1. PURPOSE**

- 1.1 This paper introduces key issues relating to the formation of a cultural services trust. It seeks the views of the Community Development Scrutiny Panel on these issues and the broad principle of establishing a 'trust'.

#### **2. LINKS TO CORPORATE PLAN, SUSTAINABLE COMMUNITY STRATEGY AND LOCAL AREA AGREEMENT**

- 2.1 This work underpins the Council's draft Cultural Strategy, which supports the Council's Sustainable Community Strategy and the Local Area Agreement outcome Pride in Peterborough.

#### **3. BACKGROUND**

- 3.1 This paper is produced by the Head of Culture following a request by the Portfolio Holder for Community Services.
- 3.2 In 2005 a Best Value Review of Culture and Recreation Services concluded that there was a case for the setting up of a trust.
- 3.3 Many local authorities have already transferred leisure and/or cultural services to a trust with over 120 active trusts in operation at present.
- 3.4 The Council's draft Medium Term Financial plan (to be explored by Full Council on 25 February 2009) sets out proposals for the transfer of cultural services to a trust.

#### **4. KEY ISSUES**

- 4.1 The most immediate question to be addressed is which of the Council's services are best suited to being managed by a trust. In addressing this point four key issues are explored below: the delivery of improved services (better performance); management issues relating to trusts; financial performance and links to other key Council cultural projects.

##### **Delivery of Improved Services (performance)**

- 4.2 There is evidence to suggest that trusts improve Comprehensive Performance Assessments scores for Councils through the achievement of social targets. The improvement in these scores is a strong argument for the success of trusts. The Audit Commission in its report 'Public Sport and Recreation Services' notes that trusts are performing at the same level as local authority in-house teams; but at a significant reduced cost. The same report notes the worst performing authorities are those which have adopted the 'mixed economy model' with both in-house and private sector management; Peterborough City Council currently has this approach. The broad message is that it is possible that if Peterborough City Council were to move away from its current model, participation rates could improve and costs reduce.

## Management of Trusts

4.3 As with all strategic management options there are advantages and disadvantages in delivering services through trust status. Advantages include:

- Speed of decision-making free from local government bureaucracy means the facilities and services can be operated with greater financial and management autonomy, enabling them to respond to market changes and remain competitive;
- There is an opportunity to harness public and private expertise on the board of the trust. Whilst democratic control of the activity through the local authority may be lost, community involvement in strategic decision-making can be a significant advantage;
- A more focused and commercial management team.

4.4 The disadvantages linked to strategic management of trusts are:

- Loss of integration with other Council services and the local authority can become 'divorced' from the leisure/culture service;
- The Council will have less direct control than at present; charitable trusts must be independent and the trustees must be able to act at their discretion;
- If, as is usual, the trust is set up as a charity, then it can only act within its objectives which cannot be altered without the Charity Commission's consent;
- The administration of the charity in itself may prove burdensome; bearing in mind the obligations imposed by legislation such as the 1985 Act and the 1993 Act.

## Financial Performance

4.5 There is an undisputed fiscal advantage presented by trusts. Most trusts seek charitable status and charities are entitled to mandatory rate relief of 80% from national non-domestic rates (NNDR) and can apply for discretionary relief for the remaining 20%. Trusts operating sports facilities are exempt from VAT on entrance fees for sporting activities and there are a number of 'VAT breaks' for voluntary bodies generally. Table 1 below notes the probable affects of the financial out-turn should a range of council cultural services be delivered through a trust. It should be noted that tourism services have not been included in this list as their primary function is to drive economic development which is unlikely to attract charitable status.

4.6 In addition it should be noted that transferring services into a trust would improve the Council's Partial Exemption position with regard to VAT (the Council is able to recover input tax on exempt supplies so long as the tax on such supplies is within 5% of its total input tax). The Council is currently running at between 3.5% to 4%. Breaching the Partial Exemption limit would cost the Authority around £1 million and so moving services into a trust would help reduce the likelihood of such a cost being incurred.

Facility Type	NNDR affect (£)	VAT affect (£)	Overall financial effect (£)
Libraries	102,900	-43,100	59,800
Sports Facilities	138,300	-22,600	115,700
Museum	0	-2,500	-2,500
Crematorium	28,800	-48,800	-20,000
Cemeteries	3,600	-8,300	-4,700
Key Theatre	9,700	70,000	79,700
<b>Overall total</b>	<b>283,300</b>	<b>-55,300</b>	<b>(saving) 228,000</b>

Table 1

4.7 It can be seen from Table 1 that all services except the Museum (which is already within a trust) would provide a saving to the Council if moved within a trust model. However, only the Key Theatre is better off financially from a VAT point of view. The total net effect for all services, should they be provided through a trust, is likely to be around £228,000 more cost effective. If Bereavement Services is excluded from this the net effect would be around £250,000.

- 4.8 It should be noted that financial performance alone should not be considered as the primary driver for the formation of a trust to deliver cultural services. In addition synergy across services such as the heritage links between the museum service and the archivist service, or indeed the link between crematoria services and cemeteries should not be forgotten. For this reason Members may wish to include within a trust a service that does not have a strong financial rationale.

#### **Other Related Issues**

- 4.9 Hampton Joint Service Centre. There are several interdependencies with other projects and proposals. In particular, currently there is a proposal to let a contract for a new sports facility at Hampton and also to run this and all other sports facilities in the City. If a decision is made to transfer sports services to a trust this element of management would have to be uncoupled for the Hampton project. This would not be difficult.
- 4.10 Currently the Regional Swimming Pool and Lido are managed by an external contractor DC Leisure. The current contract expires on 31 March 2011. This contract is on a rolling 6 month extension format so can be terminated before this date.
- 4.11 The Building Schools for the Future programme is currently exploring investments into Bushfield School and possible re-development of Bushfield Sports Centre. Any agreement with a trust would need to reflect these proposals.
- 4.12 Whilst this paper represents the first steps in considering the establishment of a trust, future reports will explore and detail the proposed relationship between the Council and trust, governance structure, local authority representation on the Board of Trustees and workforce issues.

### **5. IMPLICATIONS**

- 5.1 There are no immediate legal, ICT or financial implications arising from the content of this report. However, the establishment of a trust will have significant implications on these and other functions within the Council.
- 5.2 The Head of Culture estimates that the one off cost of setting up a cultural services trust will be between £200,000 and £250,000 but that year-on-year savings of an equal amount could be achieved for the foreseeable future.

### **6. CONSULTATION**

- 6.1 This paper is the first step in formal consultation with Members on the principle of the establishment of a trust.

### **7. EXPECTED OUTCOMES**

- 7.1 That the panel will explore and comment on the proposals within this paper.

### **8. NEXT STEPS**

- 8.1 A paper will be presented to Cabinet seeking agreement to a plan of action to establish a trust and noting which elements of the Council's cultural services should be delivered through such a mechanism. The views of the Community Development Scrutiny Panel will be included within this report.
- 8.2 A draft timetable to deliver a trust has been drawn up by the Head of Culture, which notes that it will take around 14 months to deliver once Members have concluded the services to be included within its remit.

## **9. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- i) 2006 Audit Commission report entitled "Public Sport and Recreation Services"
- ii) Lawrence Graham LLP report entitled "Culture in Trust"
- iii) 2005 Best Value Review of Culture and Recreation Services

## **10. APPENDICES**

None