

STRONG AND SUPPORTIVE COMMUNITIES SCRUTINY COMMITTEE	Agenda Item No. 7
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Report of the Head of Culture

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CULTURE AND LEISURE TRUST

1. PURPOSE

- 1.1 To provide an update to Members on the preliminary work undertaken to prepare for the creation of a Culture and Leisure Trust.

2. RECOMMENDATION

- 2.1 That the Committee scrutinise work undertaken to-date to establish a Culture and Leisure Trust.
- 2.2 That the Committee will explore and comment on the range of services to be included within the trust.
- 2.3 That the Committee submit to Cabinet any recommendations arising from this scrutiny.

3. LINKS TO CORPORATE PLAN, SUSTAINABLE COMMUNITY STRATEGY AND LOCAL AREA AGREEMENT

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

4. BACKGROUND

- 4.1 This paper updates information provided to Members of the Community Development Scrutiny Panel on the 11th of February 2009.
- 4.2 The Council's draft Medium Term Financial plan (agreed by Full Council on 25 February 2009) sets out proposals and financial implications for the transfer of cultural services to a non-profit distributing organisation (a trust).
- 4.3 The range of services to be included in a culture and leisure trust will be determined by Cabinet at its meeting on the 12th October 2009. Currently within the scope of the final financial and legal due diligence work are the following service areas: Arts Services; Bereavement Services; Museum Services; Library Services and Sports Services. The delivery of major events, while not outside of this work is also being looked at and will be explored through a separate paper at a future date.

5. KEY ISSUES

The purposes behind setting up a culture and leisure trust are set out below.

5.1 Delivery of Improved Services (performance)

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.

5.2 Improved Management

As with all 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.

5.3 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.

5.4 Improved Financial Performance

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. Members have already explored the annual financial savings that would be generated if all the current cultural services were delivered by a trust on a like for like basis- this has been calculated at around £230,000, further updated financial analysis will be presented to Members through a paper to Cabinet on the 12th October 2009.

5.5 In addition 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.

5.6 Progress To-date

In order to prepare for the formation of a culture and leisure trust a number of 'task and finish' officer working groups have been set up, their purpose, membership and a brief update on their work is set out in table 1.

Table 1

Title	Lead Officer	Purpose	Update
Project Management	Kevin Tighe	To guide the overall project from concept to completion.	A project plan has been produced and is being implemented as set out below.
Legal and Trust Formation	Claire Boyd	To draw up all of the legal paperwork associated with the formation of a trust and to manage the process of creating the Trust Board. In addition to manage the production of leases to allow the trust to occupy the building from which services will be provided.	Early work has been undertaken to confirm the suitability of a trust model for delivering the cultural services.
Communication and Information Technology	Caroline Parsons	To communicate the key milestones in the formation of a trust to all stakeholders and to produce solutions for the IT needs of the trust.	A draft communication action plan has been drawn up to ensure all key stakeholders are informed and updated on the process of creating a trust. A draft mechanism by which the trust could buy in the services of the Councils IT support has also been produced.
Finance	Steve Ward	To finalise work on determining the financial implications of forming a trust and to draw up the financial elements of the trusts business plan.	An analysis has underway on the cost of the current service, including central support costs. A further review of the VAT and National Non-Domestic Rate implications of forming a trust has also been undertaken.
Human Resources	Mike Kealey	To manage the HR implications emerging from the formation of a culture and leisure trust.	Eight meetings have been held with staff to explain the implications of forming a trust. The formation of a trust has been explored with the Trade Unions. Early work has been undertaken to explore the implications of moving to a trust on pensions and the provision of HR services.
Asset	Andrew Edwards	To enable buildings and major items of equipment to be transferred to the trust.	Two interrelated pieces of work are being undertaken. Firstly a series of surveys are being produced so as to document the condition of the fabric of the buildings that will be transferred to the management of the trust. Secondly a 'bible' of maintenance requirements for each building and major item of equipment is being

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			drawn up. The Regional Pool will be the first building surveyed in this way – it will act as a pilot for all other buildings.

6. IMPLICATIONS

- 6.1 The immediate legal, ICT and financial implications arising from this work have already been identified and is being met from within existing workloads. In addition the Council's Business Transformation team have identified funding to support the work which is seen as an invest to save proposal. The establishment of a trust will have significant implications on all support functions within the Council; these are currently being calculated and will be included within the financial information provided to Members through a paper to Cabinet on the 12th of October 2009.

The Head of Culture estimates that the one off cost of setting up a cultural services trust will be up to £200,000 but that annual year-on-year savings in excess of this will be achieved for the lifetime of the trust.

7 CONSULTATION

- 7.1 This paper builds on the formal consultation already undertaken through presentations to Members of the Community Development Scrutiny Panel on the principles of the establishment of a trust.

8 EXPECTED OUTCOMES

- 8.1 That the Committee will explore and comment on the proposals within this paper in particular the range of services to be included within the trust.

9 NEXT STEPS

- 9.1 A paper will be presented to Cabinet finalising proposals to establish a trust and noting which elements of the Council's cultural services should be delivered through this mechanism. The views of the Strong and Supportive Communities Scrutiny Committee will be included within this report.

10 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

11. APPENDICES

None