

GROWTH, ENVIRONMENT AND RESOURCES SCRUTINY COMMITTEE	AGENDA ITEM No. 5
11TH MARCH 2020	PUBLIC REPORT

Report of:	Adrian Chapman – Service Director, Communities & Safety Peter Appleton – CEO, Vivacity	
Cabinet Member(s) responsible:	Cllr Steve Allen, Cabinet Member for Housing, Culture and Recreation	
Contact Officer(s):	Adrian Chapman – Service Director, Communities & Safety Peter Appleton – CEO, Vivacity	01733 863887 01733 207230

VIVACITY ANNUAL REPORT

R E C O M M E N D A T I O N S

FROM: Service Director, Communities and Safety, and CEO, Vivacity **Deadline date:** N/A

It is recommended that Growth, Environment and Resources Scrutiny Committee:

1. Scrutinise the contents of the report

1. ORIGIN OF REPORT

- 1.1 This report is being presented at the request of the Growth, Environment and Resources Scrutiny Committee.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To provide an overview of the partnership, service delivery performance, challenges and opportunities.

- 2.2 This report is for Growth, Environment and Resources Scrutiny Committee to consider under its Terms of Reference No. 2.1, Functions determined by the Council:

2. Tourism, Culture and Recreation

- 2.3 Vivacity supports the Council's Corporate Priorities through its service offer and activities, in particular those highlighted below:

- Drive growth, regeneration and economic development
- Support Peterborough's culture and leisure trust Vivacity
- Keep all our communities safe, cohesive and healthy
- Achieve the best health and wellbeing for the city

- 2.4 Vivacity supports Children in Care through some of its service offer and activities.

3. TIMESCALES

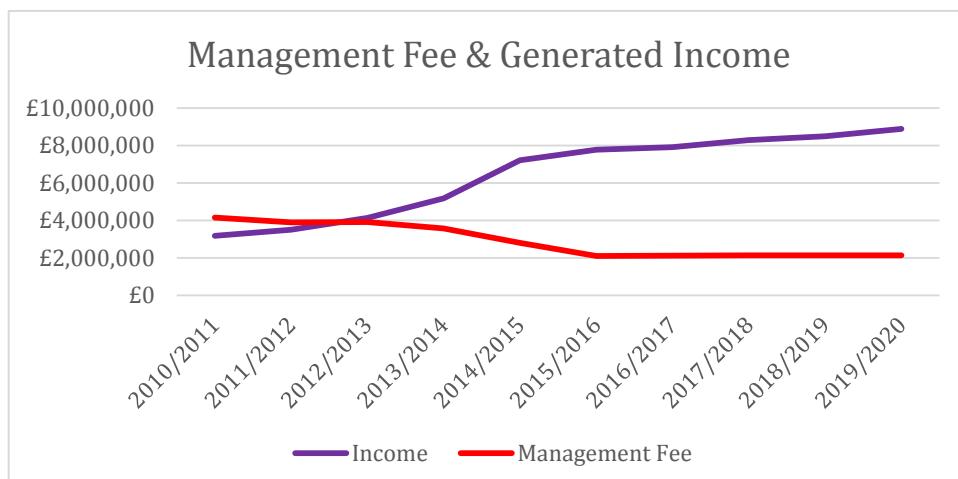
Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

- 4.1 Vivacity is an independent charitable trust and a strategic partner of the Council, responsible for delivering a range of arts, culture, sports and leisure services on behalf of the city including the statutory services (archives, libraries and KS2 swimming). This report has been prepared at the request of the Growth, Environment and Resources Scrutiny Committee for information only.
- 4.2 Vivacity was established by Peterborough City Council in 2010 with a contract to deliver a range of services on behalf of the Council until 2035. The ambition is not only to successfully operate facilities but to develop the city's cultural and leisure offer, with the shared objective of increased participation at a lower net cost to the Council; the trajectory of both is positive.
- 4.3 Vivacity is governed by its own independent Board of Trustees, currently there are two Council nominees to the Board, Cllr Steve Allen (Cabinet Member for Housing, Culture and Recreation) and Cllr Shazia Bashir (Cabinet Advisor for Children's Services). Officers of the Council are also invited to attend Vivacity Board meetings as observers, the Board currently meets six times per annum.

4.4 Overview

- 4.4.1 Since its formation the scope and scale of Vivacity has changed considerably. Vivacity delivers a diverse portfolio of services for the city including the Council's statutory library and archives services. The Council support the provision of its statutory and contribute to some discretionary services through a Funding and Management Agreement (FMA), a Service Level Agreement (SLA) and premise related costs. The total Council contribution is c. £3.8m inclusive of the statutory library service (c.30% of Vivacity's total turnover).
- 4.4.2 The Council's level of investment in culture & leisure to Vivacity via the FMA has reduced by c. 50% over the past 10 years. Whilst Vivacity has grown its generated income it has also absorbed inflationary cost increases as indicated in the graph below. Not surprisingly for a customer facing service, employee costs represent the highest cost to the organisation. In the past two years the impact of 'single status' has increased Vivacity employee costs by c. £350k, the national agreement was 'bottom loaded' and had a disproportionate impact, given the number of roles at the lower end of the pay scale.



4.4.3 As the FMA has been reduced over time, the contractual obligation to deliver services has changed also to reflect the FMA reduction. The table below reflects the current contractual status of services delivered on behalf of the city; very little if any direct Council funding is received to deliver the non-contractual activities.

Contractual Requirement	No Contractual Requirement
Archive Service Leisure Facilities: <ul style="list-style-type: none"> • Bushfields Leisure Centre* • Hampton Leisure Centre* • Jack Hunt Leisure Centre* • Regional Fitness & Swimming Centre • Vivacity Premier Fitness • Werrington Leisure Centre* *duel use facilities Library Service: <ul style="list-style-type: none"> • Bretton • Central • Dogsthorpe • Eye • Hampton • Orton • Stanground • Thorney • Werrington • Woodston • Mobile Library Service Peterborough Museum	Bretton Splash Park Arts Development Book Bus (school and community access) Club Viva (holiday clubs) Disability Sports Flag Fen Archaeological Park Health & Wellbeing Programme Heritage Festival Key Theatre Longthorpe Tower Reading Development Sports Development Volunteer Service St George's Hydrotherapy Pool

4.4.4 Vivacity fully appreciates the Council's current financial position and wants to retain its close and re-built relationship with the Council. Vivacity has an expressed aspiration and drive to become increasingly financially independent whilst ensuring sustainability of the organisation and its city-wide offer as far as possible during a period of transition. This strategic objective for Vivacity aligns well in support of the Council's need to reduce net expenditure and Vivacity's need to stabilise its own financial position which is also under considerable pressure. Vivacity are keen to work intelligently and collaboratively with the Council to achieve this aim.

4.4.5 Both Vivacity and the Council believe that the right approach to take is one that is more creative, bolder and marks an ambition for a sustainable position for both organisations that actively supports a strong culture and leisure offer for the longer-term benefit of the city and its future generations; one that is aligned to the city's growth and economic aspirations. A city without a strong cultural and leisure offer will have a negative impact on inward investment and development creating a less attractive proposition for residents and investors.

4.4.6 By working in partnership a number of opportunities that support revenue growth and more efficient ways of service delivery of both existing Vivacity and the Council services are being explored through four jointly supported work streams:

- Events and events management
- Prevention and demand management
- Commercial opportunities)
- Other opportunities

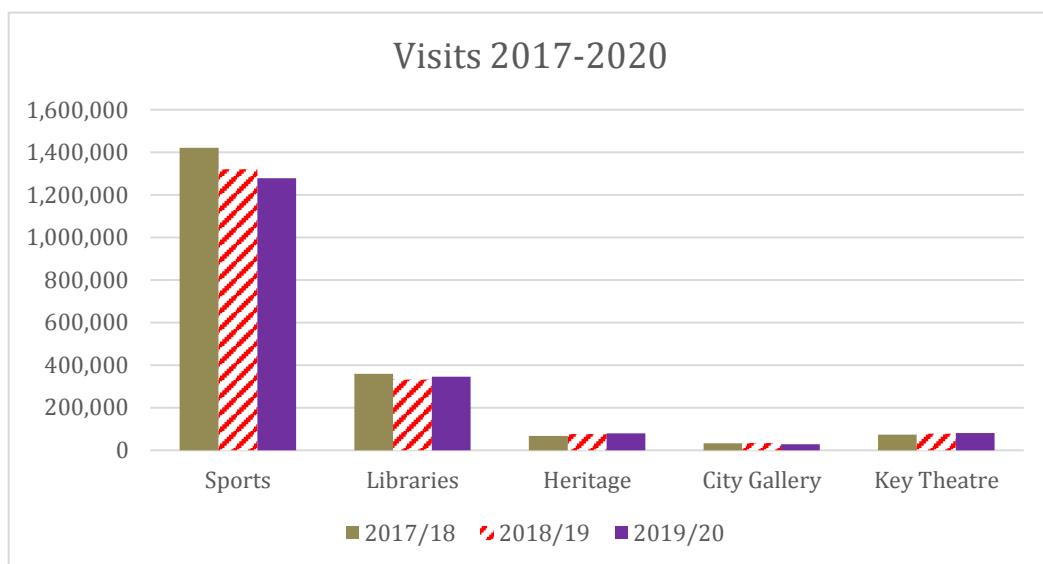
This work includes looking at the property portfolio, exploring opportunities to commercialise space and transfer services where appropriate, this work is currently in progress. Some initiatives such as building a new leisure facility or replacing existing facilities can be realised in the medium to longer term whilst other short-term initiatives can be progressed this year i.e. transfer of the Great Eastern Run to Vivacity.

4.4.7 Vivacity Premier Fitness continues to be a good example of shared benefit and strong partnership working that delivers financial benefit to the Council and Vivacity that in turn can help to cross subsidise other services; however this is now a ‘mature facility’ and growth has effectively plateaued. More recently the Council have supported Vivacity with a capital investment loan into a new family orientated themed play and climb facility *Lost World* within Serpentine Green retail centre. A soft launch is planned for 13th March 2020 and subsequently will be fully geared up for the Easter holidays.

4.5 Service Performance

4.5.1 Vivacity received c. 1.84m visits in 2018/19, the year-end forecast for 2019/20 is 1.8m; the major decline is in sport & leisure offset by some growth in Libraries, Heritage, Club Viva and the Key Theatre. Vivacity has c.100,000 individual service users that choose to use one of Vivacity’s services in one way or another each year, that equates to c. 50% of the population making a conscious choice to engage with Vivacity.

4.5.2 Projected 2019/20 full year utilisation data by service area is illustrated below and highlights a 10% decline in sport and leisure over this period reflecting the plateauing of VPF, loss of daytime use at Werrington, an aging stock and fierce competition in the fitness sector in what is already a saturated market.



4.5.3 It is worth noting that the net cost of the statutory library service is c. £1.8m (inclusive of property related costs), the lowest cost library service in its comparator group (*CIPFA 2017/18 actuals and 2018/19 estimates*¹). The Library Service employs c.50 FTE's including library management and back of house support; casual employees are not widely used in the Library Service. The service is strongly supported by c.4,400 volunteer hours that have been invaluable in supporting the Summer Reading Challenge and the Year of Reading. The service has only x1 professionally qualified librarian in the service.

4.5.4 Some of the performance highlights of 2019/20 are cited below:

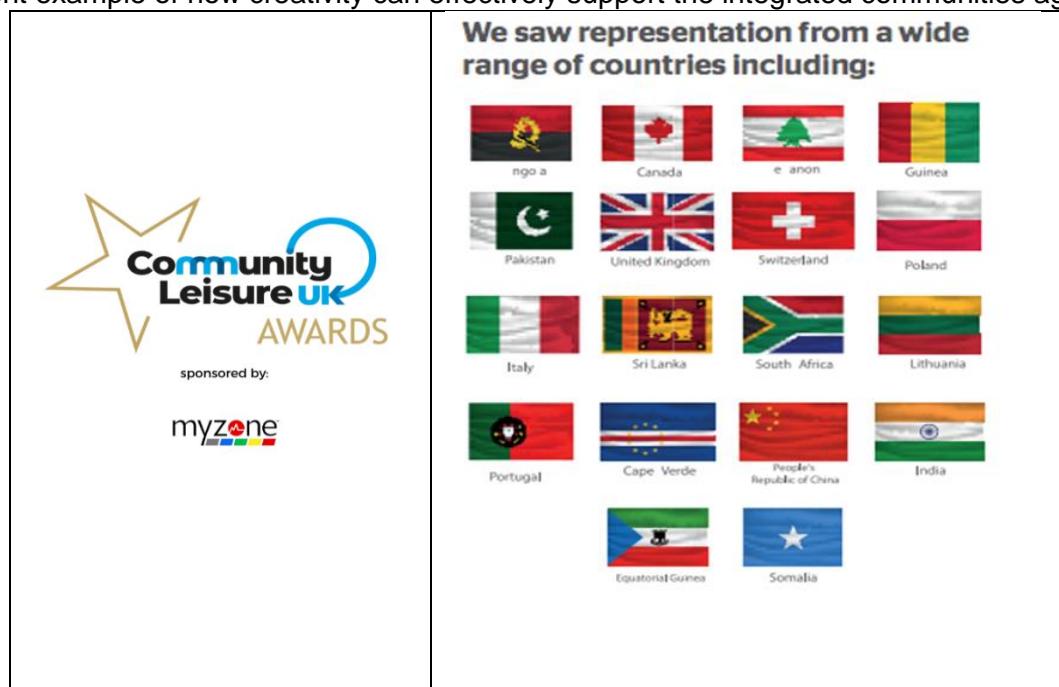
- 120 disabled people participated in a range of activities as part of the Inclusive Sports Day at the Athletics Track
- Family Films and Silver Screenings attract new audiences to the Key Theatre for affordable cinema

- 2019 Heritage Festival attracts c. 30,000 visitors
- Peterborough Celebrates Reading launch in Cathedral Square in partnership with the National Literacy Trust, PCC and other partners attracts over 1,000 children and families
- 300 children and their families attended the Children's University Graduation ceremony with 19 schools enrolled
- Over 1,000 children registered with Children's University Online Peterborough
- Vivacity win a national award for Fabric of Society (see 4.5.6)
- Chalkboard restaurant open for business in the Key Theatre
- Central Library opens two new services: Business and IP Centre; and a biometric visa application service
- Over 7,000 visit the Graham Crowley exhibition *A Love of Many Things* at the Museum & Art Gallery
- Museum & Art Gallery hosts *Hoards* attracting c. 7,500 visits and building on the success of *Treasures* in 2018
- Nick Sharratt exhibition attracts c. 2,500 visits to the Museum & Art Gallery Museum & Art Gallery over its first weekend in January 2020
- Open Air Cinema screening of *Meg* held at the Lido
- c.5,500 attendances to Vivacity's condition specific health & wellbeing rehabilitation classes (i.e. stroke rehabilitation; cardiac & respiratory etc.)
- New website launched in October 2019 over 500,000 users
- c.£500k of third party grant funding secured (to December 2019)
- *Lost World* at Serpentine Green under development for a March 2020 opening

4.5.5 Throughout 2019/20 there have been numerous challenges that have put a strain on Vivacity as highlighted below:

- Strong competition from the private sector fitness market
- Aging leisure stock
- In 2019 the city offered 3 pantos that diluted the audience (the panto is a critical income line)
- Capacity to respond to financial challenges of both the Council and Vivacity

4.5.6 In 2019 Vivacity won the 2019 Community Leisure UK Awards for best project in the category of Community Impact Award – Arts, Culture and Libraries with *Fabric of Society*, a creative cross community engagement project supported by Arts Council England, the project served as an excellent example of how creativity can effectively support the integrated communities agenda.



4.5.7 Vivacity secured some pro-bono support of a team from Balfour Beatty as part of the company's

High Potential's Programme to look at the Social Impact/Value of Vivacity's work and produce a simple framework to measure social value, the project concluded in January 2020 and identified that Vivacity was returning c.£60,000,000 of social value to the city. A high-level summary extract from this work is illustrated below.

Social Value Added 2018/19

Vivacity is a charity that enriches lives by investing in culture, sport and healthy living. We make a positive impact in the Peterborough community through care, compassion and building friendships. Working with Balfour Beatty, this infographic highlights the added social value in the Peterborough community using the National TOMs calculator created by the Social Value Task Force and other recognised research.

Balfour Beatty

LM3

Supporting
the National TOMs

The
Social
Value
Task
Force

Vivacity

Social Value Added:

TOMs
£10.6m

Other SV
£49.0m

Total
£59.6m

£2.29

spent in the local¹ area
for every £1 spent with
Vivacity



£4.4m

spent with local¹
businesses



"I honestly believe that I may not even be alive now if it were not for the Vivacity classes. They have given me the confidence to keep going, fight on and not to give up and feel sorry for myself"

Rachel, 48, from Peterborough



14
jobs created for people with
disabilities

£21,288

spent on initiatives to engage
people in health interventions



576

staff hours spent interacting with
local schools and colleges



100%

local employment



18,347 hrs

spent volunteering to support
local community projects

Quantitative Measures outside of TOMs

332,345

Library Visits

£25,806,589

500+

Volunteers

£1,178,500

7000+

Health & Active Classes

£2,992,570

78,255

Theatre & Arts Visits

£3,677,985

75,964

Heritage Visits

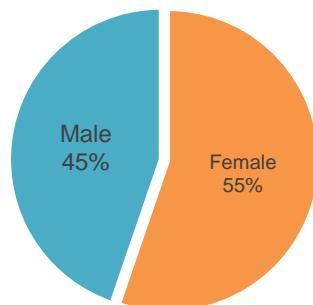
£13,890,777

¹Local is defined as within 40 miles of the project

4.6 Human Resources

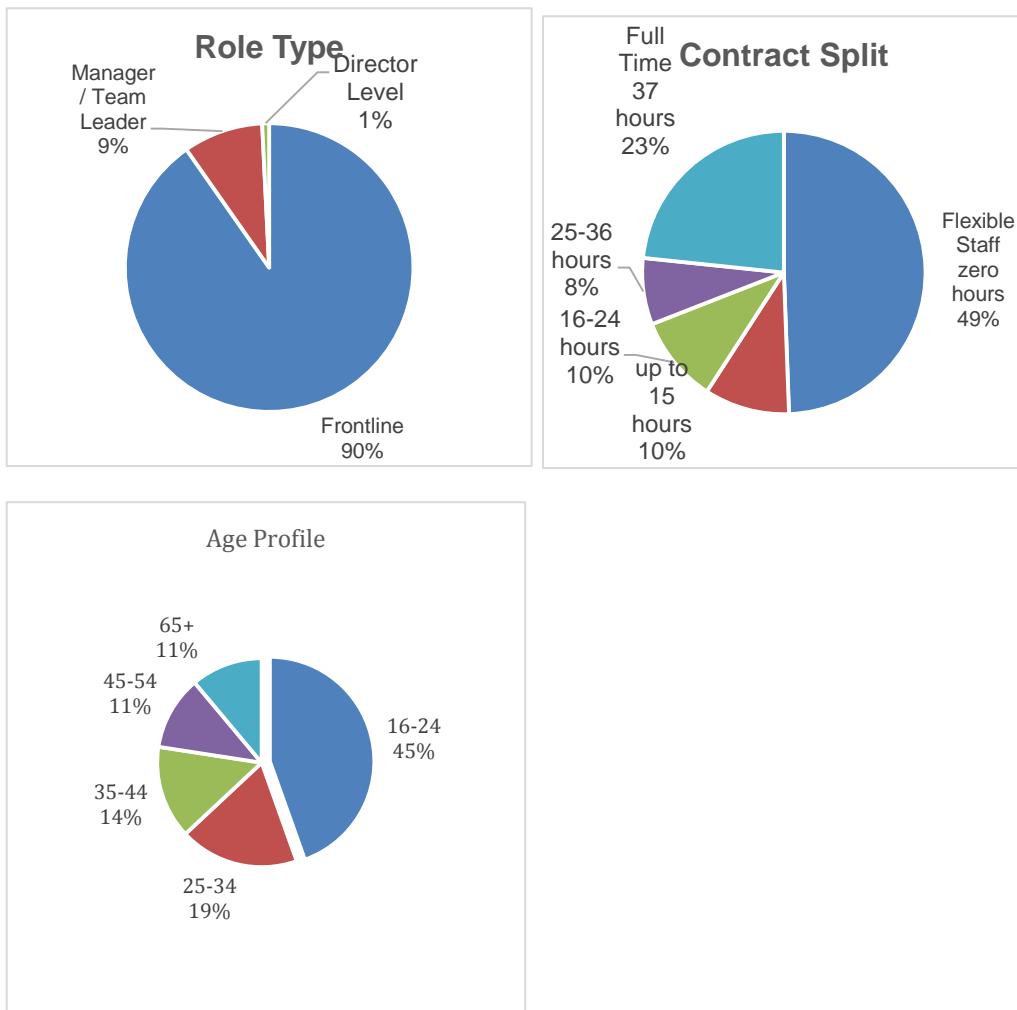
- 4.6.1 Vivacity is a relatively large employer in the city with over 500 employees. Extracts from the Annual Workforce Monitoring Report (2018/19) provides the source of data for this section of the report. The report is produced in May/June annually, and whilst there is likely to be some variation it is unlikely to be statistically significant. In 2020, Vivacity will again actively seek to convert casual posts into permanent contracts whilst remaining cognisant of the need for flexibility and the dynamic of labour market.

Gender Balance



Gender Pay Gap





4.7 Future Direction and Opportunities

- 4.7.1 Following the work initiated by the Council through Grant Thornton, an alternative proposal that could support addressing the financial pressures of both the Council and Vivacity have been developed and adopted. This approach works towards reducing the FMA and allows Vivacity to become more financially independent over time as referred to in section 2 of this report.
- 4.7.2 The proposal outlined above requires a proactive and dynamic partnership, it has to break new ground to succeed, good intentions need to turn into action, the early signs are positive. The Council have the keys to invest, unlock opportunity and realise a stronger cultural and leisure offer for the city whilst supporting Vivacity to become financially independent; such a plan cannot deliver immediate returns but over a 5-year period the opportunity can be significant. This is a bold approach, and one that ultimately supports and shapes the city's future as a vibrant, thriving and attractive city in which to live, work, study, invest in and stay.
- 4.7.3 In May 2018 Vivacity started on a transformation journey, changes at Senior Management and Board level were the initial signs of change with a focus on being more outward looking, investing in partnership development and becoming more commercial. Vivacity invested in its commercial capability to generate new opportunities both independently and with the Council, creating new opportunities, forging new partnerships and working towards diversifying the offer. The Council has been supportive in this transformation. The cultural shift within Vivacity to become commercially focussed has begun, however this still needs time to fully realise the opportunities that exist, this type of change takes time.

- 4.7.4 Financial performance is an on-going concern, in 2018/19 costs exceeded income resulting in a trading deficit, the projection for 2019/20 is illustrated below, although it should be noted a number of grant applications are pending decisions and there will inevitably be some year-end variations:
- Expenditure: £11,135,000
 - Total Income: £11,033,000
 - Generated Income: £8,285,000
 - Management Fee: £2,200,000
 - Grants: £507,000
- 4.7.5 Employee cost increases due to single status (see section 4.4.2) are a major factor of operating cost increases. During 2019 Vivacity and the Trade Unions agreed to pull away from the national pay award structure and determine pay locally from 2020/21, establishing an Employee Consultative Forum as the collective mechanism for consultation and negotiation.
- 4.7.6 Investment, opportunity and developing new income streams away from the current core business is essential, not only to the sustainability of Vivacity but to support the Council in reducing its contribution into culture and leisure. Vivacity's operational cost base must reduce in parallel to growing income, inevitably there may be some impact on the services currently offered.
- 4.7.7 Scrutiny Members may have heard recently about the development of a new Cultural Strategy for the city, and how this can help shape and enhance Peterborough's cultural offer, placing culture as an integral part of regeneration and the on-going development of the city.
- 4.7.8 The new Town Fund, a recently announced regeneration focused government initiative for identified localities to develop proposals for up to £25m of funding, does provide some opportunity for Peterborough to enhance its cultural and leisure offer. The Town Fund could potentially provide contribution funding to support a lottery funding bid for the Museum extension to host the Must Farm haul, with a sizeable funding commitment from this source it could unlock this project and strengthen what was an already strong bid. The Bronze Age haul is considered to be of international significance, exhibiting it in Peterborough will create a significant new visitor attraction for the city and support the visitor economy.
- 4.7.9 Future opportunities include exploring the transfer of some additional service functions from the Council to Vivacity where mutual benefit can be derived; additionally a review of the asset portfolio creates the opportunity for re-thinking the library estate in conjunction with Civic who are looking at two pilot projects in Peterborough (Civic are also working with libraries in Cambridgeshire County Council). Taking a lead role in commissioning the feasibility study as future operator of the new Werrington Leisure Centre further strengthens the partnership and brings greater cost certainty to future revenues. Now that it is clear that the University development will not directly impinge on the Regional Fitness & Swimming Centre there is also the opportunity to develop proposals for a replacement facility for the Regional that is over 40 years old and either re-purpose the exiting building as part of the university campus, or create a development opportunity
- 4.7.10 It is clear that the financial challenges are significant and will test Vivacity over the next few years, however this does create opportunities to explore different ways of working and provide a focus on what the culture & leisure offer for the city might look like in the future.

5. CONSULTATION

- 5.1 N/A

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 Support for the current joint activity that supports financial recovery of the Council/Vivacity and supports Vivacity's charitable and strategic objectives and the strategic priorities of the City.

7. REASON FOR THE RECOMMENDATION

7.1 This report is for information only.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 N/A

9. IMPLICATIONS

Financial Implications

9.1 The financial implications are set out in the report.

Legal Implications

9.2 N/A

Equalities Implications

9.3 N/A

Rural Implications

9.4 N/A

Carbon Impact Assessment

9.5 This report doesn't present any new carbon impacts and is therefore neutral; however, should future investment be made in either existing services or assets, or if new services or assets are developed, this will be done with our commitment to managing climate change in mind.

10. BACKGROUND DOCUMENTS

10.1 None

11. APPENDICES

11.1 *None*

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