

PERTH AND KINROSS COUNCIL

8 OCTOBER 2014

**SECURING THE FUTURE FOR CULTURE AND LEISURE:
STRATEGIC COMMISSIONING OF CULTURE AND LEISURE SERVICES****Report by Executive Director (Education and Children's Services)****PURPOSE OF REPORT**

This paper sets out a new level of ambition for developing Perth and Kinross as a major cultural destination over the next 10 years to support sustainable economic growth, in line with the City Plan and the Corporate and Community Plan. It seeks Council approval to investigate options to establish new commissioning and delivery arrangements for culture and leisure to achieve this level of ambition, and to ensure Best Value.

1. BACKGROUND / MAIN ISSUES

- 1.1 Scotland's public finances face further major constraint in the next few years and report 14/433 sets out the Council's medium term financial plan in response to this. Notwithstanding this challenge, maintaining sustainable economic growth over the next few years will be critical if we are to deliver the wider outcomes of the Corporate Plan and Community Plan. Growth will enable continued investment in quality of life and high quality public services for local people and communities in Perth and Kinross, where population is projected to grow by 24% by 2037: the third fastest projected population growth in Scotland after Aberdeen and Edinburgh. Tourism will be central to growth, already accounting for **13%** of our employment, generating over **£400 million** in revenue per annum and sustaining over **8,000** jobs. Marketing the area as a major visitor and business destination, promoting growth opportunities and diversifying the employment base for a growing working age population will be key. Work on these has already started through the *Invest In Perth* portal. Discussions are also underway with tourism sector representatives to explore the possibility of a conference and convention bureau to support business tourism growth.
- 1.2 In 2012, Perth achieved City Status in recognition of its history, growth potential and place in Scotland's urban hierarchy and national culture. These factors need to underpin our approach to developing Perth as a major visitor destination. Since 2012, enhancements have been made or are underway to strengthen the cultural offer including the redevelopment of Perth Theatre and some refurbishment of Perth Museum. External funding for these projects has been secured in recognition of our cultural distinctiveness and our growing level of ambition for culture. These are complemented by further investment in the city's public realm, tourist and transport infrastructure.

- 1.3 These enhancements add to our existing cultural assets including the international-standard Concert Hall; Horsecross Arts and Pitlochry Festival Theatre as major arts organisations; Perth's place at the heart of Scotland's history (Scone and the Kingdom of Alba; medieval Perth; birthplace of the Reformation) and its centrality to the 20th century Scottish cultural renaissance (JD Fergusson, Margaret Morris, Hamish Henderson, William Soutar).
- 1.4 These assets are central to Scotland's national culture, but they are also central to local stories of people and place and our sense of community and civic pride in Perth and Kinross. This is evidenced by the growing number of community-led cultural initiatives including Perth Festival of the Arts, Artspace in Crieff, Bookmark in Blairgowrie and the Birks Cinema in Aberfeldy. It is also evidenced by the most recent 'Big Listen' customer engagement exercise carried out by Culture and Community Services in 2013. This received nearly 9,000 responses, the majority of which were about cultural provision, and is the largest response to date to a Council consultation exercise.
- 1.5 However, despite the strength of our cultural assets, evidence shows that our cultural attractions do not currently perform as highly as those elsewhere in the East of Scotland. For example Perth Museum and Art Gallery attracted just under 93,000 visits in 2012 whilst Aberdeen Art Gallery achieved 182,000 and the McManus Gallery in Dundee achieved 171,000. All three are free attractions, with major investment underway at Aberdeen and recently completed at the McManus. The V&A Dundee is planned to open in 2017 and substantial work has been done to assess the wider anticipated economic impacts of it and wider cultural investment across the East of Scotland. These wider developments represent an opportunity for Perth and Kinross, but also a potential challenge to which we need to respond strategically in order to capitalise on them for the benefit of people in Perth and Kinross.
- 1.6 In response to this context feasibility work was commissioned in spring 2014 to:
 - Appraise the current and potential market for Perth as a cultural city destination
 - Propose options for enhancing the cultural offer of Perth to support an increased level of ambition, *and*
 - Outline the business case and funding strategy for additional investment in the cultural offer.

The first stage of this feasibility work (market appraisal and options for enhancing the cultural offer) was completed in early September 2014. The key findings will be presented to Council on 8 October 2014. A summary of the main messages from the study is as follows:

- The visitor market potential for Perth is extremely strong. The total potential market size (both domestic and overseas visitor) is estimated at **4.66 million** of which potential day visits comprise **3.7million**.
- However, visitor attractions in Perth are currently underperforming in comparison to Dundee and Aberdeen. The Perth domestic tourism market has declined of late (although visitor expenditure has increased despite this decline).

- Perth's cultural assets are of major significance to Scotland's wider story and a major opportunity exists to develop them and provide an exceptional cultural offer, well-tailored to current and potential visitor market.
- The proposed overarching concept for developing Perth as a major cultural city is **Ancient Roots, Modern Scots**. This is about Perth's place at the heart of Scotland's history and heritage, coupled with its central role in the 20th century Scottish cultural renaissance and its vibrant contemporary arts scene.
- The strategic response required needs to involve developing a number of different elements which collectively support the development of Perth as a major cultural city. No single visitor attraction, either current or proposed, will deliver this level of ambition in its entirety. These specific elements could include:
 - a new visitor attraction;
 - enhancing/improving existing attractions, e.g. Perth Museum and Art Gallery;
 - enhanced public programmes clearly linked to the overall 'Ancient Roots/Modern Scots' concept and well-tailored to current and potential markets
 - building existing partnerships and developing new ones through major loans and temporary exhibitions including national and international quality product
 - increased emphasis on creative learning and developing community-led arts initiatives which strengthen local stories of Place, identity and civic pride and in turn contribute to the wider profile of Perth and Kinross as a vibrant cultural destination.

1.7 The next stage of the feasibility work is to look at options for how this new cultural offer could potentially be delivered. This might be through enhancing current visitor attractions such as Perth Museum, but will also look at the feasibility and underlying business case for developing new attractions enabling Perth to position itself strongly as a cultural destination regionally and nationally. A funding strategy setting out key external funding sources will also be prepared. Any future work would dovetail with wider development of tourism infrastructure for Perth set out in paragraphs **1.1-1.2**.

1.8 Alongside this feasibility work, future commissioning and delivery arrangements to support our level of ambition have also been examined. In setting its budget for 2014/15 and 2015/16, the Council tasked officers with reviewing current delivery models for both culture and sport given financial constraints and the need to ensure Best Value but also the need to maintain a focus on opportunities for sustainable economic growth through tourism. Savings of £542,000 have been agreed in relation to this, of which £228,000 could be achieved from non-domestic rate savings attached to buildings currently directly managed by the Council if management was transferred to an arms-length provider. The balance of £316,000 will have to be found from potential economies of scale from establishing new arrangements, and from changes or reductions to some current services.

- 1.9 The current delivery arrangements for culture and leisure are summarised in **Appendix 1**. In addition to direct delivery by the Council, culture and leisure services are currently commissioned from two arms-length external organisations (ALEOS), Horsecross Arts and Live Active Leisure. The background to ALEOs and the general benefits/potential disbenefits are summarised in **Appendix 2**.

2. PROPOSALS

Developing Perth as a destination city

- 2.1 As stated, the feasibility work summarised in paragraph 1.7 shows that the potential visitor market size for Perth and Kinross is extremely strong, but that Perth is currently underperforming in comparison to other cities in the East of Scotland.
- 2.2 The opportunity therefore exists to raise the level of ambition for Perth and Kinross significantly over the next 10 years and deliver wider economic benefits for the area as a whole, in line with the wider outcomes set out in the Corporate Plan and Community Plan. But it will be important to do this by confidently defining the unique and distinctive offer of Perth as a destination city, and Perth and Kinross as a whole, within the wider region and as part of the national landscape. As part of this strategy, key relationships with relevant national and UK partners need to be developed, within a timeline which ensures Perth is ready to respond to major opportunities at national, UK and international level as these arise over the next 10-15 years.
- 2.3 The City Development Board has established a small task group focusing on the cultural offer of Perth and will be considering and advising the Council further on the findings of the feasibility work. The City Development Board has also formed a task group to explore the potential of developing the Tay and its environs as an enhanced tourist and recreational asset through development of land adjacent to the river and enhanced use of the river and its environs. Investment has already been secured via the Tay Landscape Partnership for the development and promotion of built and natural heritage assets
- 2.4 Alongside culture, the sport and leisure offer is extremely important for the future development of Perth and Kinross as a wider visitor destination. With key partners, the Council will shortly begin revising the current *Strategic Framework for Sport and Active Recreation*, which expires in 2015, in response to the emerging strategic context set out in para 1.1 of this report. In particular, outdoor and adventurous sports are key to maximising the wider visitor market for the area given our location at the heart of Scotland.
- 2.5 Investment priorities for Perth city leisure facilities were examined in the 2012 Leisure Needs Analysis commissioned by the Council and Live Active Leisure (report 12/487 refers). In response to this £10 million is already committed from the Council and Live Active Leisure for the development of the PH20 project for which Live Active Leisure is the lead partner. Live Active Leisure has also

recently commissioned analysis of the current strategic context for sport and leisure, including a social return on investment study of the programmes it currently delivers, and a strategic proposition for future delivery of all sport and leisure activities by LAL on behalf of the Council.

- 2.6 Perth College UHI has secured external funding to develop an Academy of Sport and Well Being in Perth, supporting an increased curriculum focus on sports management and performance. Both this project and the PH20 project will require additional external funding, and a well-joined up approach to funders from all partners involved in developing the sport and leisure offer within the city will be critical.
- 2.7 There is a particular need to ensure sport and leisure programmes, in addition to facilities investment, are well planned and strongly integrated by the different delivery partners to ensure an integrated offer which makes sense for customers, which delivers important outcomes for the Council and the CPP (for example health improvement) and to avoid splitting markets to the detriment of all. The Council will be facilitating joint programming arrangements through the process of revising the *Strategic Framework for Sport and Active Recreation*, and through the Community Planning Partnership.

New commissioning and delivery arrangements

- 2.8 Initial options appraisal to identify potential models for future commissioning and delivery of culture and leisure was completed in spring/summer 2014. This looked at the current arrangements, which comprise direct delivery by the Council and delivery by two arms-length Trusts (Horsecross Arts and Live Active Leisure). It considered the potential to change or improve current arrangements to achieve the Council's strategic ambitions for culture and leisure whilst ensuring Best Value and delivering required savings. Five options have been identified at this initial stage. The options appraisal is at **Appendix 3** but in summary:

- **Option 1: *The Single Trust option***: This would involve the dissolution of the two existing Trusts to establish a single new Culture and Leisure Trust. This option was previously examined as part of an 2010/11 options appraisal which resulted in a move to sole member company status for HX and LAL. It may be the most cost efficient option in the long term, but has sensitivities and potential risks.
- **Option 2: *Live Active Plus option***. This would involve commissioning sports services not already delivered by LAL (Sports Development and Active Schools), plus the culture services delivered by the Council, from LAL. LAL has a strong track record in sport, facilities management, finance and governance, but does not have a track record in cultural provision.
- **Option 3: *Expanded sports remit for Live Active Leisure, plus "Horsecross Arts Plus" option***. This would involve commissioning the culture services currently delivered by the Council from Horsecross Arts, and commissioning Sports Development and Active Schools from LAL. This

would place all the skills and expertise within the Council and HX in delivering culture in one place, with a single shared focus on joint priorities. However because of the new HX Board's current focus on reviewing and strengthening the HX business model and its focus on Perth Theatre redevelopment as a large, complex capital project, this option may not be the strongest at this stage.

- **Option 4: *Expanded sports remit for Live Active Leisure, plus a third Trust.*** This would involve establishing a new Cultural Trust to deliver culture services currently delivered by the Council, with HX continuing to deliver its current remit for the performing arts. Responsibility for delivering Creative Learning would be shared between both HX and the new third Trust, as it is currently shared between HX and the Council. Sports development and Active Schools would be commissioned from LAL. This is a viable option, but potentially creates a confusing 'offer' for customers and more complex commissioning arrangements for the Council to manage.
- **Option 5: *Expanded remit for Live Active Leisure, plus new Single Culture Trust.*** This would involve establishing a new Cultural Trust responsible for the culture portfolio across Perth and Kinross. It would bring the skills, knowledge and expertise of Horsecross Arts and PKC Culture Services together. Sports Development and Active Schools would be commissioned from LAL. This could create a new and potentially very powerful delivery vehicle to respond to the visitor market opportunity identified by the feasibility work summarised in para 1.7.

2.9 The views of the Horsecross Board in exploring options 3, 4 and 5 further will be extremely important, as well as further discussions with Creative Scotland which is a key funder of both Horsecross Arts and many cultural activities currently delivered by the Council, alongside Museums Galleries Scotland and other stakeholders/funders.

2.10 An expanded remit for Live Active Leisure is intended to deliver a well-integrated, joined up sport and leisure offer which is joined up and understandable for customers, and could support the overall destination 'brand' of Perth and Kinross. Additional strategic commissioning from Live Active Leisure may also deliver benefits in terms of economies of scale. There are a range of sports activities which are supported or funded by the Council more widely (for example funding via an SLA to the Sports Council, and funding to support community projects with St Johnstones). Potentially these could be managed in more integrated ways to ensure resources are well aligned towards the priorities and needs of both local users and those visiting Perth and Kinross. Potential for further integration of these wider funded activities will be examined as part of the next phase of work. Again, further discussion with the LAL Board in developing options further will be extremely important, alongside further discussions with **sportscotland** and other stakeholders/funders.

2.11 The ALEO model is increasingly common for delivery of sport and leisure activities by Councils, as Appendix 3 sets out. An important success factor for increased strategic commissioning arrangements is an effective contract

management and monitoring role within the Council, acting as ‘intelligent client’ on behalf of the Council and taxpayers for delivery of services with a value of over £10M annually (including the current contracts with LAL and HX). Structural change to the Cultural and Communities Service management team structure will be required to support any move to further strategic commissioning, as well as maintain ongoing responsibility for corporate Community Planning/Public Service Reform and community empowerment (for which CCS assumed responsibility in 2013).

- 2.12 Assuming Council approval to investigate options in more detail, new strategic commissioning arrangements could be in place by April 2016 or shortly thereafter, with the required saving of £542,000 being delivered on a phased basis from 2016/17.

3. NEXT STEPS

- 3.1 Following consideration by Council, the findings of the feasibility work on the development of Perth as a cultural destination will be further considered by the City Development Board and an implementation plan developed for refining investment proposals and preparing a funding strategy. This will return to Council for approval in **April 2015**.
- 3.2 Meantime further exploration of new strategic commissioning arrangements for culture and leisure, which can provide the right framework for future delivery of an ambitious agenda whilst achieving agreed savings, will need to proceed. It is proposed to complete more detailed options investigation and preparation of detailed business case(s) to support a recommended option or options from October 2015 onwards. Recommendations based on this would return to Council in April 2015 for consideration and approval would be sought from Council at that point about which option(s) should be implemented. The timescale, process and governance arrangements for this next stage of work are set out in **Appendix 4**. This is a large-scale change programme, and a fixed term Project Manager reporting to the Head of Cultural and Community Services would manage the next phase of work and subsequent transition to new commissioning arrangements, assuming approval by Council in April 2015.

4. COMMUNICATIONS AND STAKEHOLDER MANAGEMENT

- 4.1 Staff and trade union engagement on work to date and proposed in relation to new strategic commissioning arrangements has begun and will continue during the next phase of options investigation and preparation of business case(s) for recommended option(s). This is summarised in **Appendix 5**, along with wider communications.

5. CONCLUSION AND RECOMMENDATIONS

- 5.1 It is recommended that the Council:
- (i) Notes the findings of feasibility work summarised in **para 1.7** on options to develop Perth as a major cultural city destination and support wider sustainable economic growth.

- (ii) Instructs the Executive Director (Education and Children’s Services) and the Executive Director (The Environment Service) to progress an implementation plan to take forward recommendations from the feasibility work for further consideration and approval by Council in April 2015.
- (iii) Notes the background and key issues set out in **para 1.9** and **2.8-2.11** for new strategic commissioning arrangements for culture and leisure services to support this level of ambition and achieve agreed savings of £542,000 from 2016/17 onwards.
- (iv) Notes the initial options appraisal completed for new strategic commissioning arrangements for culture and leisure.
- (v) Remits the Executive Director (Education and Children’s Services) to consult further with the Horsecross Board, Live Active Leisure Board and key stakeholders on further investigation of these options.
- (vi) Remits the Executive Director (Education and Children’s Services) to continue staff and trade union engagement during this next phase of work
- (vii) Instructs the Executive Director (Education and Children’s Services) to prepare a detailed business case for the recommended option or options, for consideration by the Council in April 2015.
- (viii) Notes a key assumption is that new commissioning arrangements would be in place by April 2016 or shortly thereafter, if approved by the Council.
- (ix) Notes that of the £542,000 total savings agreed by the Council in February 2014, £226,000 could be achieved through NDR savings at the point new Trust arrangements are established, with the balance from changes to current services and potential efficiencies through increased economies of scale from 2016/17 onwards.

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1. 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)	Yes
Assessments	
Equality Impact Assessment	No
Strategic Environmental Assessment	No
Sustainability (community, economic, environmental)	Yes
Legal and Governance	Yes
Risk	Yes
Consultation	
Internal	
External	Yes
Communication	No
Communications Plan	No

1. Strategic Implications

Community Plan / Single Outcome Agreement

1.1 This report supports the achievement of the following Community Plan Strategic Objectives:

- (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.*

This report relates to Objective No (iii) and (v)

Corporate Plan

1.2 The Perth and Kinross Community Plan 2013-2023 and Perth and Kinross Council Corporate Plan 2013/2018 set out five strategic objectives:

- (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; and
- (v) Creating a safe and sustainable place for future generations.

This report relates to Objectives No (iii) and (v)

2. Resource Implications

Financial

- 2.1 There are no immediate financial implications to approving the recommendations in this report. Of the savings of £542,000 already agreed by the Council, £226,000 could be achieved through NRD savings at the point new Trust arrangements are established. The balance of £316,000 will have to be realised from changes to current services and from potential efficiencies through increased economies of scale from the recommended new delivery model. Detailed proposals on these changes and increased efficiencies will be submitted to Council for further consideration as part of the wider detailed recommendations and business case proposed for new strategic commissioning arrangements. Assuming new Trust arrangements were in place by early 2016, savings would therefore begin to be achieved from April 2016 onwards.

Workforce

- 2.2 There are workforce implications for this project. Staff delivering services which fall into scope for transfer would be affected. Staff who are not within scope for transfer may also be affected by this project. The staff within existing Trust organisations are also likely to be affected by this project. The full extent and detailed implications for staff will be developed as the project proceeds and the scope of services to be commissioned from new Trust arrangements are defined in detail.

The Corporate Human Resources Manager has been consulted in the preparation of this report.

Asset Management (land, property, IT)

- 2.3 Under new strategic commissioning arrangements those property assets in Council ownership (for example library and museum buildings) would remain so, with responsibility for facilities management and repair/maintenance programme would transfer to a new Trust(s). It is anticipated that scope for securing additional external funding for investing in assets would increase through the establishment of new Trust(s). A new fundraising strategy to support the level of ambition for developing Perth as a cultural city destination will also be developed.

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.

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

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

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.

Sustainability

- 3.3 This report contributes to the Perth and Kinross Council Principles & Aspirations of Sustainable Development and in particular:

- 2) Efficient use of resources now and in the future in the built environment and service provision (e.g. energy efficiency, land, water resources, flood defence, waste minimisation etc).
- 9) High quality, fully utilised, durable, flexible and adaptable buildings.
- 27) Opportunities for cultural, leisure, community, sport and other activities.
- 29) Accessible, affordable public, community, voluntary and private services (e.g. retail, food, commercial, utilities).

Legal and Governance

- 3.4 The Head of Legal Services has been consulted in the preparation of this report

Risk

- 3.5 The risks associated with this project are detailed within the body of the report.

4. Consultation

Internal

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

- Executive Director (The Environment Service)
- Head of Finance
- Head of Planning and Regeneration
- Head of Legal Services
- Corporate Human Resources Manager
- Head of Democratic Services

External

4.2 Initial discussions on the proposals set out in this report have been discussed or are ongoing with:

- Chairman of Horsecross Arts
- Chair of Live Active Leisure
- The Gannochy Trust
- Creative Scotland
- Sportscotland
- Museums Galleries Scotland

5. Communication

5.1 The staff and stakeholder communications timeline is at **Appendix 5**.

6. BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

7. APPENDICES

Appendix 1 – Current scope of culture and leisure services delivered by the Council, Horsecross Arts and Live Active Leisure

Appendix 2 - Background on Arms-Length Organisations

Appendix 3 - Initial options appraisal of future strategic commissioning arrangements for culture and leisure

Appendix 4 – Timescales, process and governance for progressing new strategic commissioning arrangements

Appendix 5 - Outline staff and stakeholder engagement plan

Appendix 1: Current scope of culture and leisure services delivered by the Council, Horsecross Arts and Live Active Leisure

There is currently a mixed economy for delivering culture and leisure in Perth and Kinross. The Council directly delivers services, commissions other services from two existing Trusts; and supports other 3rd party providers through grants or SLAs.

The Council is a direct service provider of:

- Museums and galleries.
- Libraries, Archives and Local Studies.
- Community arts development, including dance, and public art commissioning.
- Instrumental Music Tuition, part externally funded by Creative Scotland (Youth Music Initiative)
- Sports development, including support for community sports clubs, and delivery of coaching and volunteering programmes.
- The Active Schools programme, designed to support extra-curricular sports participation, and part externally funded by **sportscotland**

The current (2014/15) total net budget for these services is **£5.03M** and the total FTE staff number in scope is **171**. The staffing resource comprises a mixture of Service Manager, Team Leader, technical and general staff.

The Council strategically commissions:

- all other sport and active recreation provision through Live Active Leisure Ltd (LAL)
- performing arts, and creative learning programmes and operation of Theatre/Perth Concert Hall through Horsecross Arts Ltd (HX).

Both LAL and HX are independent charitable Trusts and companies limited by guarantee. In 2013 they were reconstituted as sole member companies with the Council as sole member. [Reports 11/49, 12/590, 13/334 refer]. More detail on LAL and HX is set out below.

The Council also supports or funds a range of other projects and third party providers including Pitlochry Festival Theatre, Perth Festival of the Arts, Perth and Kinross Sports Council, and Perth and Kinross Disability Sport.

Strategic and statutory service requirements

Local authority provision of culture and leisure is partly defined by statute and partly by the agreed strategic priorities set by individual Councils. This Council has the *Cultural Strategy 2011-16* and the *Strategic Sports & Active Recreation Framework 2011-2015* setting out priorities in relation to quality of life, increasing physical activity and sports participation learning, local economic development and strengthening our tourism offer. These strategic priorities contribute in turn to wider Corporate and Community Planning outcomes, including health improvement, employability, and vibrant local communities.

In terms of statutory requirements:

- Local authorities have a statutory duty to provide library services, as outlined in the Local Government (Scotland) Act 1973.
- There are no explicit statutory duties in relation to sport, museums, galleries or arts services. These are covered in a more general obligation under the Local Government (Scotland) Act 1994 to: "*ensure that there is adequate provision of facilities... for recreational, sporting, cultural and social activities.*"
- The Local Government (Scotland) Act 1994 and the Public Records (Scotland) Act 2011 also requires local authorities to make proper arrangements for the preservation and management of its records including archives.

Live Active Leisure and Horsecross Arts - purpose and key functions

Live Active Leisure:

LAL has been in existence for nearly 40 years but has changed significantly during that time. Initially known as Bell's Sports Centre (Perth) Ltd, the Company name was changed to Perth & Kinross Recreational Facilities Ltd in the mid 1980's when Perth Leisure Pool was created. With the restructuring of Perth & Kinross Council into a unitary authority in 2000 the company name changed to Perth & Kinross Leisure and then in 2010 to Live Active Leisure Ltd.

LAL now manages 14 leisure venues throughout Perth & Kinross including Perth Leisure Pool, Bell's Sports Centre, Dewars Centre, Community Campuses and the George Duncan Athletics Arena. The company also manages several Community Halls on behalf of the Council.

LAL employs over 650 staff and has an annual turnover of approximately £10m of which PKC provides funding of approximately £4m to manage and operate leisure venues. 7 of these sites are owned by LAL; the others are owned by PKC and operated by LAL. There are 1.3m usages of LAL services annually and the company has built significant financial reserves to cover contingent liabilities and future property investment.

Horsecross Arts Ltd:

Horsecross Arts Ltd (HX) was formed in 2006 to manage the programming and operation of Perth Theatre and Perth Concert Hall. Perth Theatre was previously managed by the independent charity Perth Theatre Repertory Company which was formed in 1932.

HX employs approximately 150 staff and has an annual turnover of c£5m of which PKC provides £1.3m annually. It is currently a Creative Scotland Foundation Funded Organisation (FFO) and receives just under £0.5M pa from Creative Scotland. The funding arrangements for FFOs are currently being reviewed by Creative Scotland and new Regular Funding (RFO) arrangements will be in place from 2015/16 onwards. Horsecross Arts has applied for RFO status. Other income comes from box

office revenue, conferencing and catering.

In common with LAL, and to maintain its charitable purpose and status, HX must retain a balance of commercial activity and delivery of its charitable objects as set out in its constitution.

The Theatre and Concert Hall Buildings are owned by the Council and leased to HX. HX has recently received further funding support from PKC following financial difficulties it faced in 2013. A new Board was appointed in October 2013 and substantial work has been completed by the new Board and interim CEO on revising the business model in the context of the Perth Theatre redevelopment. This work remains ongoing.

BACKGROUND ON ARMS LENGTH EXTERNAL ORGANISATIONS

The move towards Arms Length External Organisations (ALEOs)

1. Commissioning of services from ALEOs is a mechanism that Councils are increasingly using to deliver services more efficiently and effectively: since 2000 the number of ALEOs in Scotland has more than doubled. The most common model is the charitable Trust, although there are others less common so far in Scotland (for example, social enterprises or co-operatives). A major driver has been the potential savings in non-domestic rates (NDR) which can arise, although this should not be the main reason for establishing an ALEO.

The sole member company model

2. In Perth and Kinross there are currently two ALEOs: Live Active Leisure and Horsecross Arts. Both are charitable Trusts and companies limited by guarantee. Since 2013, they have also been sole member companies, with the Council as sole member.
3. The determining reasons for this change were established following detailed consideration and options appraisal by the Council in 2010/11:

External advice showed that there was a risk of challenge to the previous commissioning arrangements under EU Procurement and State Aid rules.

Governance, accountability and scrutiny needed to be strengthened and the Council needed a greater degree of influence and control over the scale of services being delivered by LAL and HX.

The Council wished to see a more integrated approach across the operation of both Trusts.

4. Whilst the sole member model means that these Trusts remain independent charitable organisations, it also means that the Council becomes the 'operator of last resort' in the event of catastrophic failure. Whilst exercised as a measure of last resort, the Council's sole member powers enabled it to step in to protect the charitable asset of HX in late 2013 when the Trust ran into significant difficulties.
5. Although widely used, the scope and scale of Trust operations varies significantly. Some Councils, including Glasgow and Dundee City Councils, have developed "super Trusts" as single bodies to deliver sport, leisure and culture services. Others, including Fife and Borders have developed or are developing multiple Trusts to deliver different services.

Benefits and disbenefits of ALEOS

6. ALEOs are arms-length because the Council retains a degree of control or influence through the contractual funding agreement whilst retaining a separate legal and public identity from the Council.

Potential **benefits** of the arms-length model include:

- Improved customer focus and service delivery, particularly through “cross-selling” to different customer groups, and better use of customer data to identify market growth opportunities.
 - A mission which is clear and transparent for the public and sets purpose/direction for ALEO Boards, senior management and staff.
 - A defined relationship with the local authority enshrined in robust legal agreement (s) which support good governance and accountability.
 - Scope to foster more entrepreneurial approaches to service development and delivery, including developing new income sources from commercial activities, sponsorship and borrowing which can be reinvested in services.
 - Potential savings in non-domestic rates (NDR), as outlined above.
 - Access to external funding sources not available to Councils.
 - Scope for more flexible and cost efficient staffing structures, employee remuneration, terms and conditions.
7. However, by their nature, ALEOs are one step removed from Council control, and governance arrangements can be complex. Regardless of which model is used, there are common learning points from use of ALEOs to date, many of which are outlined in Audit Scotland’s 2011 report on ALEOS and the 2014 follow up report which will be published shortly. The draft report for Perth and Kinross identifies some good and emerging best practice in relation to managing both LAL and HX, but also some key learning points.

8. Potential **disbenefits** of the ALEO model include:

- Different degrees of “arm’s-length” from Councils which can cause confusion about respective roles. For example the Chairman of Dundee Leisure and Culture Trust is also the Lord Provost, and the Managing Director of the Trust is also the Director of Leisure and Communities within the Council. There should be complete clarity between the respective roles of the Council as commissioner and ALEO as commissioned service provider.
- The stability of the finance models used by ALEOs can be constrained by the annual funding cycle of Councils. One or two year funding agreements for ALEOS can cause problems when the ALEO financial strategy is more entrepreneurial/high risk than a Council might use, and/or exposes the Council to financial risk.
- The extent to which some culture and leisure services can attract and generate additional sources of funding, despite being high Council priorities or statutory functions. Some services will always require a significant level of public investment, and the extent to which they are funded is ultimately a policy decision for Councils.
- If the balance in income generation by an ALEO tips towards commercial

activities (for example conferencing or catering) this can affect its charitable status (where applicable).

- Net savings/financial efficiencies are often masked by 'hidden costs' such as HR transactional costs (payroll etc.), back office and other in-kind costs which continue to be borne by Councils, directly or indirectly.
- Positioning the strategic commissioning function of the Council correctly is key. If things go wrong significant levels of Council resource are required to support the ALEO. This can potentially outweigh the rationale for having the ALEO in the first place.
- Responsibility for, and affordability of, capital asset maintenance and repair needs to be clearly defined, and a realistic appreciation of investment requirements is needed. In transferring assets to ALEOs, Councils need to understand the likely resource implications for the ALEO and its ability to meet its maintenance and compliance obligations as well as further invest in venues in order to continue to attract and grow customers. These issues have arisen with Perth Theatre, Blairgowrie Recreation Centre and the proposed transfer of North Inch golf course to LAL. Equally, ALEOs have access to funding sources for capital investment which Councils do not, and this plus the other tax efficiencies are one of the benefits of the arms-length model.
- The disruption caused by transfer of staff under TUPE to the Trust and the scope or lack of scope to implement revised Terms and Conditions for transferred or new staff. Some Councils have mandated that Terms and Conditions for all staff employed by ALEOs should remain in line with Council Terms and Conditions. Employee and Trade Union relations are a key consideration in managing the transfer of in-house services to ALEOs. In Perth and Kinross, the move to Single Status some years ago may mean that scope for further efficiencies through changes to staff terms and conditions is less than elsewhere.

HIGH LEVEL OPTIONS APPRAISAL OF FUTURE STRATEGIC COMMISSIONING ARRANGEMENTS FOR CULTURE AND LEISURE

OPTIONS, ASSUMPTIONS AND RISKS

Criteria for options appraisal

This option appraisal process reflects the Council's internal guidance on options appraisal to support Best Value and also the recent report by Audit Scotland "*Options Appraisal: are you getting it right?*". It is a tailored appraisal to reflect:

- that significant elements of services under consideration for strategic commissioning have already been subject to detailed review, for example the recent review of Libraries and Cultural venues
- that the options build on existing principles of strategic commissioning already in operation by the Council, and learning gained from these.

Three criteria were developed against which to initially assess options for further commissioning of services. These are:

- Opportunities to improve services and deliver outcomes which contribute to the wider strategic objectives of the Council (Corporate Plan, City Plan) and the Community Plan.
- Potential to achieve financial efficiencies and savings.
- Ease and practicality of implementing any new commissioning arrangements, including acceptability considerations.

Key Assumptions

Key assumptions used to inform the options appraisal were as follows:

- Those services currently delivered by the Council and in scope are museums, galleries, libraries, arts development including dance development, Instrumental Music Tuition, Active School, and Sports Development.
- That these services would not be tendered to the open market
- That Live Active Leisure would be the preferred partner for commissioning sport and leisure services.
- That HX plus other models should also be considered for commissioning cultural services, given the current position of Horsecross and the scale of cultural services currently delivered by the Council, which is significant.
- That an enhanced strategic commissioning function would remain within the Council's Cultural and Community Services division to manage the overall relationship with the Trusts including implementation and monitoring of the legal framework, performance and financial management. (A review of the strategic commissioning and contract compliance arrangements in Cultural and Community Services was carried out in 2013/14. This identified a need to develop and strengthen the core skills set amongst monitoring officers to

ensure the Council is acting as 'intelligent client' fully able to constructively challenge ALEOs where required on what is being delivered and ensure Best Value is being achieved.)

- That the £226,000 NDR savings could be achieved through any of the options. Therefore each option is assessed in terms of its ability to achieve the remaining £316,000 savings target. This is about the capacity of each option to deliver both immediate and ongoing financial efficiencies, and the potential of economies of scale which each option might achieve.
- That the £316,000 saving may not be achieved from efficiencies alone and therefore, as indicated in the budget proposals considered and approved by Council on 13 February 2014, changes to services in some areas may also be required.
- That maintaining the status quo in current commissioning and delivery arrangements would not achieve any savings through NDR, and therefore the £542,000 saving would need to be found from service reductions alone.
- That there will be upfront costs associated with the move to further strategic commissioning. Project management resource will be required to manage a significant change process, for which ECS has secured additional monies in 2014/15. However, there may be additional costs associated with (for example) legal costs and changes to business systems required to support a new Trust model(s).
- There may also be costs associated with workforce implications, for example identifying redeployment options for staff who do not have the right to transfer to new Trust arrangements.

Options not considered

In considering options for further strategic commissioning of culture and sport, two options were *not* considered at this stage:

- The option of going to the open market. It is considered that the Council will remain within EU regulatory requirements by not doing so.
- Maintaining the status quo: continued in-house delivery of services. Achieving the £542,000 saving without the benefit of NDR relief would require significant adjustments and reductions to front-line services.

Options considered and appraised

Five options were identified for initial consideration and assessment:

- **Option 1: *The Single Trust option***: This would involve the dissolution of the two existing Trusts to establish a single new Culture and Leisure Trust. This option was previously examined as part of a 2010/11 options appraisal which resulted in a move to sole member company status for HX and LAL. It may be the most cost efficient option in the long term, but has sensitivities and potential risks.
- **Option 2: *Live Active Plus option***. This would involve commissioning sports services not already delivered by LAL (Sports Development and Active Schools), plus the culture services delivered by the Council, from LAL. LAL has a strong track record in sport, facilities management, finance and governance, but does not have a track record in cultural provision.

- **Option 3: Expanded sports remit for Live Active Leisure, plus “Horsecross Arts Plus” option.** This would involve commissioning the culture services currently delivered by the Council from Horsecross Arts, and commissioning Sports Development and Active Schools from LAL. This would place all the skills and expertise within the Council and HX in delivering culture in one place, with a single shared focus on joint priorities. However, because of the new HX Board’s current focus on reviewing and strengthening the HX business model and its focus on Perth Theatre redevelopment as a large, complex capital project, this option may not be the strongest at this stage.
- **Option 4: Expanded sports remit for Live Active Leisure, plus a third Trust.** This would involve establishing a new Cultural Trust to deliver culture services currently delivered by the Council, with HX continuing to deliver its current remit for the performing arts. Responsibility for delivering Creative Learning would be shared between both HX and the new third Trust, as it is currently shared between HX and the Council. Sports development and Active Schools would be commissioned from LAL. This is a viable option, but potentially creates a confusing ‘offer’ for customers and more complex commissioning arrangements for the Council to manage.
- **Option 5: Expanded remit for Live Active Leisure, plus new Single Culture Trust.** This would involve establishing a new Cultural Trust responsible for the culture portfolio across Perth and Kinross. It would bring the skills, knowledge and expertise of Horsecross Arts and PKC Culture Services together. Sports Development and Active Schools would be commissioned from LAL. This could create a new and very powerful delivery vehicle to respond to the visitor market opportunity identified by the feasibility work summarised in **para 1.7**

Appraisal Methodology

An appraisal framework was developed around the 3 main criteria set out above. This examined and scored each option against a set of sub-criteria and provides a commentary to describe the supporting risks and issues.

The possible scores against each element are:

1. = Low 5. = High

Maximum score = 50 Minimum Score 10

Option 1: Single Trust

Criteria	Sub criteria	Scores	Comments
Financial: Potential to achieve financial efficiencies and savings and generate income	NDR/VAT savings	5	Full NDR should be possible plus optimum VAT efficiency
	Set up costs	1	Potentially the most expensive option because existing Trusts would have to be dissolved and the scale of business change associated with this would be significant.
	Income generation	4	Good opportunity for cross selling between different customer groups and developing a strong combined commercial/fundraising function for both culture and sport.
	Ongoing cost efficiencies	3	Significant potential for longer-term economies of scale through shared back office and corporate functions. However there may also be associated costs associated with workforce implications.
Service Delivery: Opportunities to improve service delivery and outcomes	Increased use of service	3	Potential for growing audiences and markets through a single customer model, but potential disbenefits because a single model may be insufficiently 'tailored' to appeal to different customer groups, or hold credibility with culture and sport stakeholders
	Improved service delivery	3	Potential to develop more integrated service models for customers, for example more integrated approaches to creative learning and supporting Curriculum for Excellence implementation across both culture and sport.
Implementation: Ease and practicality of implementation	Complexity and sensitivity	1	Potentially a difficult option to implement following recent changes to implement sole member arrangements.
	Impact on staff/partners/users	1	Significant impact on Council, Horsecross and Live Active Leisure staff. The need to manage major business change to avoid adverse impact on customers would be significant. Stakeholder views, including those of funders, are a key consideration.
	Strategic coherence	3	Precedents exist, e.g. Glasgow Life, for a single delivery model for culture and leisure which can deliver against key corporate and Community Plan outcomes. However this may not be a sufficiently tailored model to deliver against the Council's very specific ambitions for culture and sport.
	Council engagement and linkages	3	The Council would engage with a single body rather than the current two Trusts, but the delivery remit would be very wide and effective relationship and contract management arrangements would be needed to ensure that commissioned services were well aligned with the Council's strategic priorities
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Option 2: Live Active Plus

Criteria	Sub criteria	Scores	Comments
Financial: Potential to achieve financial efficiencies and savings and generate income	NDR/VAT savings	5	Full NDR should be possible plus optimum VAT efficiency
	Set up costs	2	Less expensive set up costs by using an existing Trust vehicle. But business change to reposition LAL as a culture and sport Trust would be significant.
	Income generation	2	Some scope for additional income generation using LAL skills and experience. Engaging current and new customers for culture may be more difficult because LAL is solely associated with sport. Scope for fundraising for culture may be more limited.
	Ongoing cost efficiencies	3	Should provide for some efficiency in back office and corporate functions. Good facilities management capability exists within LAL and this is important given the number of venues which would transfer to the Trust. There may be associated costs associated with workforce implications
Service Delivery: Opportunities to improve service delivery and outcomes	Increased use of service	2	Potential for growing audiences and customers, but some existing culture customers may not readily engage with this model.
	Improved service delivery	1	LAL has no current strategic or operational expertise in culture services delivery and the scale of services which would transfer is significant. Service standards, some of which are externally validated, and the level of expertise required to manage these (for example to maintain National Recognition Status for museum collections) are not currently within LAL's expertise.
Implementation: Ease and practicality of implementation	Complexity and sensitivity	1	Difficult option to implement following recent changes to implement sole member arrangements. Possible reputational risk with current cultural sector stakeholders and funding bodies.
	Impact on staff/partners/users	1	Significant impact on Council, Horsecross and LAL staff. The need to manage major business change to avoid adverse impact on customers would also be significant.

			Stakeholder views, particularly those in the cultural sector and arts funders, are a key consideration.
	Strategic coherence	1	The rationale for transferring culture services to a leisure trust is not clear in the context of the level of ambition for culture set out in key strategic documents and emerging priorities.
	Council engagement and linkages	3	Some efficiency through using existing Trust with which the Council already engages effectively, but maintaining relationships and level of understanding to ensure the Council's level of ambition for culture is met would be important.
		21	

Option 3: Expanded sports remit for Live Active Leisure, & Horsecross Arts Plus

Criteria	Sub criteria	Scores	Comments
Financial: Potential to achieve financial efficiencies and savings and generate income	NDR/VAT savings	5	Full NDR should be possible.
	Set up costs	2	Although existing Trust vehicles would be used, set-up costs are potentially expensive because HX would have to transform its current business model significantly to take on a much larger remit by 2016, alongside delivering the Perth Theatre project.
	Income generation	2	A single Culture Trust with a clear and distinct identity would support fundraising and income generation/ cross-selling to different customer groups. But scale of business change for HX to take on this expanded role is significant. Potential to cross-sell to different customer groups for both culture and sport may not be significantly different from current arrangements.
	Ongoing cost efficiencies	3	Some economies of scale would be possible on important front-line areas like programming, creative learning, marketing, fundraising and back office/corporate functions. However there may also be associated costs associated with workforce implications.
Service Delivery: Opportunities to improve service delivery and outcomes	Increased use of service	3	Potential to create a single focus for delivering an increased level of ambition for culture, develop new customers and growth opportunities in the long term. However HX's current level of capacity to take these on given the scale of services which would transfer is a key consideration, if new arrangements are to be in place by April 2016.
	Improved service delivery	2	As above. Libraries and museums collections management are large and complex functions in which HX

			has no current strategic or operational expertise.
Implementation: Ease and practicality of implementation	Complexity and sensitivity	2	This could be a difficult option to implement given recent financial difficulties faced by HX and the need to maintain focus on Perth Theatre redevelopment (although the organisation is now stable and moving forward positively under the direction of a new Board)
	Impact on staff/partners/users	1	Significant impact for Council and Horsecross staff. The need to manage major business change to avoid adverse impact on customers would also be significant. Stakeholder views, including those of funders, are a key consideration.
	Strategic coherence	4	Opportunity to create a strong single focus around the increased level of ambition for culture. Strong synergies and strategic fit between existing HX and PKC audiences and strategic priorities. Potential to strengthen overall credibility and profile with key arts funders and develop relationships at national/international level which support strategic ambitions for culture.
	Council engagement and linkages	2	Efficiency through two Trusts with clearly defined remits with which the Council can engage. But the scale of business change is significant and this would require a corresponding change in the current commissioning relationship with HX.
		26	

Expanded sports remit for Live Active Leisure, status quo for Horsecross, plus third Trust

Criteria	Sub criteria	Scores	Comments
Financial: Potential to achieve financial efficiencies and savings and generate income	NDR/VAT savings	5	Full NDR should be possible plus optimum VAT efficiency
	Set up costs	3	A third Trust would require to be established alongside existing Trust models.
	Income generation	2	Some potential for growing audiences and markets. But potential for cross-selling between different customer groups for culture and sport would not significantly differ from current models. 3 Trusts may present a confusing overall offer to customers.
	Ongoing cost efficiencies	2	No real opportunities for economy of scale and managing relationships with 3 Trusts rather than two is not the most efficient commissioning model. There may also be associated costs associated with workforce implications.
Service Delivery: Opportunities to improve service delivery and outcomes	Increased use of service	2	Some scope for a new third Trust to market services to customers differently/more effectively than an in-house Council service, but the overall 'offer' to customers might be confusing.
	Improved service delivery	2	As above.
Implementation: Ease and practicality of implementation	Complexity and sensitivity	2	Relatively straightforward to implement, but may raise questions about the efficiency and effectiveness of the model and the overall rationale for it.
	Impact on staff/partners/users	4	Impact on staff would be significant, but less for Culture Services staff than other options. The need to manage business change to avoid adverse impact on customers would remain important. Stakeholder views, including those of funders, are a key consideration

	Strategic coherence	3	Similar to the delivery arrangements currently in place, with 3 providers (PKC, LAL and HX) for culture and sport.
	Council engagement and linkages	2	Does not deliver efficiency of single body and managing relationships with 3 Trusts rather than 2 is not the most efficient commissioning model.
		27	

Expanded sports remit for Live Active Leisure, plus new Single Culture Trust

Criteria	Sub criteria	Scores	Comments
Financial: Potential to achieve financial efficiencies and savings and generate income	NDR/VAT savings	5	Full NDR should be possible plus optimum VAT efficiency
	Set up costs	2	A new Trust would be constituted and HX's current constitutional arrangements would need to change. Therefore significant business change implications.
	Income generation	3	A single Culture Trust with a clear and distinct identity would support fundraising and income generation/ cross-selling to different customer groups.
	Ongoing cost efficiencies	3	Some economies of scale would be possible on important front-line areas like programming, creative learning, marketing, fundraising and back office/ corporate functions. However there may also be associated costs associated with workforce implications.
Service Delivery: Opportunities to improve service delivery and outcomes	Increased use of service	4	Potential to create a single focus for cultural ambition with a strong new brand, develop new customers, funding and growth opportunities.
	Improved service delivery	4	As above. Potential to design new business model for delivering culture, building on strengths of existing models in HX and PKC but also create new ways of working where these are needed to respond to the visitor market opportunity for Perth and Kinross.
Implementation : Ease and practicality of implementation	Complexity and sensitivity	3	Sensitive given the current profile of HX and the importance of the portfolio which HX currently delivers. However there may also be an opportunity to reposition HX more strongly within a larger organisation with a wider but complementary remit.
	Impact on staff/partners/users	2	Impact on staff in HX and PKC Culture Services in particular would be significant, but potentially less than

			<p>other options.</p> <p>Scale of business change is significant and minimising the impact on customers would be important.</p> <p>Stakeholder views, including those of funders, are a key consideration</p> <p>Maintaining focus on delivery of Perth Theatre redevelopment would be key.</p>
	Strategic coherence	4	<p>Opportunity to create a strong single focus around the increased level of ambition for culture.</p> <p>Strong synergies and strategic fit between existing HX and PKC audiences and strategic priorities.</p> <p>Potential to strengthen overall credibility and profile with key arts funders and develop relationships at national/international level which support strategic ambitions for culture.</p>
	Council engagement and linkages	4	<p>Efficiency through two Trusts with clearly defined remits with which the Council can engage.</p>
		34	

Key Strategic Risks

These are currently identified as:

- The respective roles and responsibilities of the Council (as ‘transferor’) and Trust(s) (as transferees) need to be clearly articulated, understood and followed at each stage, from decisions by the Council through to implementation. This clarity is also important for maintaining goodwill and commitment from Trusts as well as robust project governance and delivery.
- The need for a strategic lead role on the ‘transferee’ side in relation to culture to develop the new Trust(s) model with a strong profile and identity for customers; manage the transfer of staff and services; drive through the necessary changes to services and efficiencies required to achieve the £316,000 saving in addition to the NDR saving. The current absence of a permanent Chief Executive at HX may provide, in discussion with the HX Board, an opportunity to reconfigure the post so it can take on this key role for culture. The Board and Chief Executive of Live Active Leisure would fulfil this role for sport.
- Of the £542,000 saving attached to strategic commissioning, £316,000 will have to be found from the baseline resource which will transfer to the Trusts. Early work to agree commissioning priorities, and scope for efficiency savings through economies of scale and shared services will be important to minimise the impact on front-line service delivery. Both Trusts will require flexibility to consider how they will achieve this saving, within a clear framework of commissioning priorities set by the Council.
- Maintaining the engagement and morale of Council staff in scope for transfer, where staff have already managed significant change and uncertainty, particularly in Libraries.
- The increase in strategic and operational capacity required within LAL for it to respond to the ambitious policy agenda for sport, particularly in relation to health improvement and implementation of Curriculum for Excellence where the Council has a strong reputation nationally and locally.
- Engagement with the new HX Board which is rightly preoccupied with revising the current business model for HX and the Perth Theatre redevelopment project; and the potential to retain the expertise and commitment of Board members for a new Cultural Trust.
- The risk of a prolonged implementation period which could affect customer audience growth and staff morale, cause uncertainty with key funders, and require significant resource input from the Council to lead and manage change.
- Potential risks to timescales in delivering Perth Theatre redevelopment, if the attention of key players is distracted.

TIMESCALE, PROCESS AND GOVERNANCE FOR FURTHER STRATEGIC COMMISSIONING

Project Governance and Delivery

As outlined above, it is important to the success of this project that the respective responsibilities and accountabilities of the Council and the Trust (s) are clearly articulated and maintained and the project is properly structured.

Four delivery phases have been broadly scoped at this initial stage:

	Delivery Phase	Notes
	Phase 1: Pre-planning (Oct 2014 – Feb 2015)	Initial stakeholder discussions with LAL and HX Boards and key funders as well as the Office of the Scottish Charities Regulator (OSCR) would take place following Council consideration on 8 October 2014. Staff and trade union engagement would also commence at this point, with staff briefings in advance of formal consideration by Council on 8 October 2014
	Phase 2: Planning (April-Oct 2015)	<p>This comprises all the preparatory work by the Council, HX, LAL to explore detailed options for new strategic commissioning and delivery models including:</p> <ul style="list-style-type: none"> -The key outcomes and deliverables which the Council wishes to commission from Trusts in order to achieve wider corporate and Community Planning outcomes. -The detail of all services in scope to be transferred to achieve these outcomes and deliverables, including service priorities and any areas of potential service reduction (to be defined by the Council) -The total resource envelope (finance, staff, assets) to be transferred including arrangements for repair and maintenance of buildings -The recommended detailed model for increased delivery by Trusts and

		<p>the strategic commissioning function which would remain within the Council, for consideration and approval by the Council in February 2015</p> <p>-The detailed project plan and communications plan for managing the transition to the recommended new model</p>
	Phase 3: Transition (Nov 2015-March 2016)	<p>This comprises the detailed activities to support the move to new Trust arrangements. Key workstreams will include:</p> <ul style="list-style-type: none"> • HR: TUPE transfers, Trade Union engagement and negotiation etc • Finance: construction of new budgets, negotiations on disaggregation of existing PKC budgets in relation to property and support functions (training, HR, IT etc) • Business continuity: managing the transfer of business systems and processes including IT systems • Property/Estate: practical issues in relation to all PKC buildings to be transferred and agreement on apportionment of repair and maintenance responsibilities • Communications, internal and external
	Phase 4; Transformation (April 2016 onwards)	<p>Ongoing refinement and improvement to services delivered by Trusts(s) including achievement of efficiencies from increased economies of scale; new customer and audience development approaches.</p>

Roles and responsibilities of the respective parties during the transition process are summarised below:

<p>PKC</p> <ul style="list-style-type: none"> • Council mandate to proceed • Consultation with HX and LAL • Stakeholder discussions (funders, OSCR) • Support for set-up of new Trust including Board • Detailed schedule of services and staff in scope for transfer • Consultation with Unions and staff in scope • New service specification and contract framework for new delivery arrangements • Determining and implementing new strategic commissioning function within Culture and Community Services • Outward asset transfers (leases etc.) • Corporate communications and PR • Business continuity for customers and staff 	<p>Horsecross Arts</p> <ul style="list-style-type: none"> • Joint discussions with PKC on new commissioning arrangements to identify best options • Business continuity for customers and staff Consultation with HX staff and Unions if appropriate • Asset transfer arrangements if appropriate
<p>Live Active</p> <ul style="list-style-type: none"> • Joint discussions with PKC on new commissioning arrangements • Business continuity for customers and staff • Due diligence on incoming services • Organisation structure and new service delivery models • Transfer/procurement of supply agreements (goods and services) • Inward asset transfers • Staff T&Cs, induction and engagement 	<p>New CultureTrust (if pursued)</p> <ul style="list-style-type: none"> • Board recruitment • CEO and SMT recruitment • Business continuity for customers and staff • Due diligence on incoming services • Organisation structure and service delivery models • Transfer/procurement of supply agreements (goods and services) • Inward asset transfers • Staff T&Cs, induction and engagement • First Corporate and Business Plan

As shown above, timescales mean that the total required saving of £542,000 will not be fully achieved until April 2016 onwards. The savings will be identified through a combination of efficiency savings to be achieved from more integrated delivery structures in the Trusts, and from service changes in some areas where the Council currently directly delivers services. For example, a more integrated structure for

facilities management, finance, communications/marketing, Creative Learning (including schools and community learning activities) will be possible by bringing together the existing staffing structures within the Council with those of both existing Trusts and the new Trust(s).

This phasing will therefore require the £542,000 saving to be deferred to 2016/17 with the consequential budget pressure in 15/16 met by carrying forward commensurate underspend in the current year.

Project governance will be via a Project Board, chaired by the Depute Director (Education and Children's Services). The project SRO will be the Head of Cultural and Community Services.

A Project Manager is being recruited to manage and oversee project implementation for PKC activities, funded from ECS support change management monies allocated within the 2014/15 and 2015/16 budgets. The key skills set for this post will be strategic/technical HR (TUPE, establishing, or working at strategic level within, all ALEOs).

Appendix 5 – Staff and Stakeholder Communication timeline

What	When	Who
Leadership development sessions for CCS SMT	Underway	Head of Cultural and Community Services
TU briefed	w/c 29 Sept 2014	Head of CCS/HR
CCS Service Managers briefed	Complete	Head of CCS/HR
CCS Extended Management Team briefed and written update to CCS teams in scope	w/c 29 Sept 2014	Head of CCS/HR
HX and LAL Chairs and CEOs briefed	By 1 October 2014	Head of CCS
Major funders (Creative Scotland, sportscotland , Gannochy Trust) briefed	By 1 October 2014	Head of CCS
Council meeting and consideration of initial options	Wednesday 8 October 2014	
Wider stakeholder briefings	Oct 2014 onwards and ongoing	Head of CCS and CCS Service Managers
Face-to-face update and briefing for all CCS staff in scope	7 November 2014	Depute Director, Education and Children's Services/ Head of CCS/HR
Project Manager in place and detailed Communication Plan for internal/external stakeholders	By start Nov 2014	Head of CCS
Council consideration of recommended detailed model for future strategic commissioning and delivery	April 2015	
Formal staff engagement starts/job matching/TUPE processes	April 2015 onwards	Project Manager HR

