

PERTH AND KINROSS COUNCIL  
1 JULY 2015

**Securing The Future For Culture And Sport**

**Report by Executive Director (Education and Children's Services)**

**PURPOSE OF REPORT**

This report sets out the key findings from a detailed options appraisal of further strategic commissioning arrangements for culture and sport; recommends a preferred option; and sets out key next steps for transition to new Trust arrangements, if approved by the Council, by April 2016.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 [Report No.14/438](#), approved by the Council on 8 October 2014, set out the ambition for developing Perth and Kinross as a major tourism destination over the next 10 years, to support sustainable economic growth, in line with the City Plan and the Corporate and Community Plan. Specific investment issues in relation to culture were identified and the Council instructed the Executive Directors of Education and Children's Services (ECS) and the Environment Service to investigate these further and bring back recommendations in 2015. This report sets out these recommendations.
- 1.2 On 8 October 2014, the Council also agreed to review current commissioning and delivery arrangements for culture and sport, to ensure the model is fit for the future, and can deliver our increased level of ambition whilst maximising and protecting our substantial investment in these services and achieving a required saving of £542,000 from 2016/17. This report sets out the key findings from options appraisal (OA) of 5 options for new commissioning/delivery models, plus appraisal of the status quo. These options were summarised in [Report No.14/438](#).
- 1.3 The Council already commissions services from Live Active Leisure (LAL) and Horsecross Arts (HX), two existing Trusts. Nonetheless, a move to further strategic commissioning of culture and sport is a significant decision for the Council. A detailed OA was completed, with robust governance and challenge throughout in arriving at a recommended future model. The OA included a full assessment of the risks and benefits of maintaining the status quo, and also examined the individual services in scope in turn, to identify any differences in risks and benefits should they transfer to Trusts. The detailed OA and a summary of project governance is attached as **Appendix 1**<sup>1</sup>.
- 1.4 A key assumption throughout the OA has been that the **sole member company model** (SMC) would remain the Council's preferred model for Trusts. LAL and HX are both SMCs. The SMC model protects and limits the individual liability of company Directors and also enables the Council to step

---

<sup>1</sup> In all options appraised, ownership of buildings/property and of museum/fine art collections remains with the Council, but responsibility for managing these would transfer to Trusts.

in to protect the company as a charitable asset in the event of catastrophic failure or other exceptional circumstances.

### **Key outcomes for culture and sport: future priorities**

- 1.5 There are existing strategic frameworks for both culture and sport which to date have guided the commissioning and delivery of relevant services funded by the Council. These are the *Cultural Strategy 2011-2016* and the *Strategic Framework for Sport and Active Recreation 2010-2015*.
- 1.6 In looking at new commissioning and delivery models, the starting point should be the key outcomes which we want these services to achieve in contributing to the wider strategic objectives of the Community Plan and Corporate Plan; and identifying the common areas between culture and sport where increased joint working is desirable. These outcomes can be defined as:
- **Sustainable economic growth:** a leading leisure and business tourism offer in Scotland, which supports the local economy of Perth and Kinross.
  - **Tackling inequalities:** better health, social and economic outcomes for local people and communities, from Early Years throughout all lifestages.
  - **Empowered communities:** supporting community-led culture and sport initiatives and enabling them to grow and succeed.
  - **Lifelong learning:** supporting individuals and families through Early Years, formal, adult and community learning programmes.
- 1.7 These outcomes have been used to define the Council's proposed 'commissioning blueprint' for new Trusts. This plus proposed contract monitoring and scrutiny arrangements, are attached as **Appendix 2**.

## **2. OPTIONS APPRAISAL: KEY FINDINGS**

2.1 Options appraised consisted of:

- The status quo: two Trusts plus in-house delivery of some services.
- One Trust: a new single Culture and Sport Trust (option 1).
- One Trust: expansion of LAL's remit to include both culture and sport in a single Trust (option 2).
- Two Trusts: expanding LAL's remit to deliver all sport services and expanding HX's remit to deliver all culture services (option 3).
- Three Trusts: expanding LAL's remit to deliver all sport services; status quo for HX and setting up a new Libraries, Museums and Galleries Trust (option 4).
- Two Trusts: expanding LAL's remit to deliver all sport services and setting up a new Culture Trust for delivery of all culture services (option 5).

2.2 The Project Board identified **option 4** as the recommended model for new Trust arrangements. In this model:

- All sport and leisure services commissioned by the Council, including Active Schools and Sports Development, would be delivered by Live Active Leisure (LAL).

- Performing arts commissioned by the Council including management of Perth Concert Hall and Perth Theatre and some Creative Learning will continue to be delivered by Horsecross Arts (HX).
- Museums and Galleries, Libraries, Archives/Local Studies, Arts Development and some Creative Learning would be delivered by a new single Culture Trust.

2.3 The OA identified this model as capable of:

- An improved customer experience through a more tailored and responsive approach to different localities, building on existing strong understanding of locality needs and priorities across Perth and Kinross.
- Creating a high profile new vehicle capable of delivering the increased level of aspiration for museums and visual arts, in line with the recommendations set out in this report. The new Trust would act as a single purpose fundraising vehicle for the Cultural City project, working alongside HX which will continue to focus on fundraising for the performing arts including Perth Theatre redevelopment.
- Generating new income streams through better cross-selling to different customer groups.
- More efficient use of Council property, including Non Domestic Rates (NDR) savings estimated at **£332,000**.
- Potential further NDR savings, which may be achievable if further PKC sports facilities are transferred to LAL for management under the terms of a new contractual arrangement.
- Shared services between the three Trusts to find further efficiencies.
- Implementation within required timescales to achieve savings from April 2016 onwards.

2.4 Input from LAL and HX was gained throughout the OA process. The Board of LAL supports the recommended option. The Board of HX has carefully considered the potential pros and cons of such significant change at a critical point in HX's own recovery. It supports Option 4, as this will allow HX to focus on its recovery plan and the high profile development of Perth Theatre.

2.5 **Option 5** (LAL expanded remit and New Culture Trust) emerged as the Council's preferred model for longer term delivery as it scored well on ability to deliver savings and providing an opportunity to improve services through a strong integrated cultural offer for customers. However, the HX Board has concerns about the scale of change and having undertaken a thorough due diligence process, has concluded that Option 5 would represent a significant risk to their recovery if it was pursued at this critical point in its own development. But HX also sees that additional benefits would be available through Option 5 and is open to discussions to move to a single Culture Trust at a future point in time. For this reason Option 5 is not being recommended for implementation at this time but should be reviewed again in 2017/18.

2.6 **Ease of implementation** – delivering change with minimum disruption to customers, staff and stakeholders – was a key criterion in the OA. Option 4 scored well here because:

- It is an opportunity to establish a new 'brand' for culture, providing the stability for continued development and the ability to drive forward with new visual arts and cultural investment; sending a signal of intent about the Council's increased ambition for culture in Perth and Kinross.
- The remit of LAL would be expanded but the core charitable objects of the Trust would remain
- Transfers under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) for the total number of staff in scope across all 3 existing organisations (790 in total) would be minimised.

2.7 The pros and cons of retaining the **status quo** were also carefully examined, as were the pros and cons of establishing a single Trust to deliver both culture and sport (**option 1**). The conclusions from this were:

- The status quo cannot generate the scale of savings required without significant impact on front line services and jobs. This is because no NDR or VAT efficiencies can be achieved, and the scale of savings (£1.163M since 2012/13) already achieved from Culture and Community Services.
- A single Culture and Sport Trust potentially represents the best scenario for economies of scale. But the scale of change is very significant and is assessed as undeliverable in the timescale required to achieve savings. Key stakeholders are also assessed as likely to have concerns about this scale of change.

2.8 In examining the pros and cons of Trust arrangements for each service, the impact on the Instrumental Music Service (IMS) was also examined. The IMS is the only service in scope which is entirely schools-based and supports attainment of SQA qualifications for some pupils using the service. There are no NDR savings to be made and the IMS will be liable for additional VAT payments if transferred to a Trust. It is currently subject to a separate service review which will report to Lifelong Learning Committee later in 2015. So far, this has identified that a more integrated delivery model within school clusters is key to widening participation in the service and in particular, SQA provision would benefit from sitting within the schools statutory quality framework, by locating the IMS within Education Services (Secondary and Inclusion). It is therefore proposed to remove the IMS from scope of transfer to a Trust model.

### 3. LOCALITY WORKING AND COMMUNITY PARTICIPATION

3.1 As is currently the case with culture and sport services currently delivered by the Council, a focus on identifying needs and priorities on a locality basis across Perth and Kinross should be central to how we commission services from Trusts in future. Therefore it is proposed the three Trusts will be asked to work in collaboration to produce a joint annual Locality Plan, setting out the integrated culture and sport 'offer' for each locality in Perth and Kinross. The Plan should draw on data and evidence of local customer needs and demands as well as data about non-users of culture and sport; ie opportunities to grow new customer bases and address barriers to participation. Flexible charging structures can be developed to support locality requirements. For example a LAL membership in Highland Perthshire could

be more tailored to reflect the range of facilities available in that locality and usage data about which facilities customers are prepared to travel to use.

- 3.2 The proposed 'commissioning blueprint' for culture and sport set out in **Appendix 2** would be structured on the basis of Locality Plans, setting out the detailed outputs and deliverables for each locality, and approved by the Council at the start of each financial year. This would not negate the option of longer-term (2-3 year) contracts for Trusts to provide them with longer term planning stability.
- 3.3 Monitoring of Trust performance should also reflect the increasing expectation that local people and communities will be active participants in planning and monitoring local public services. Therefore, it is proposed to form a new advisory forum to inform both the strategic commissioning approach of the Council and operational planning and delivery by Trusts. The forum would not have decision making powers, but would act as a single sounding board, pooling knowledge and expertise from across the culture and sport sectors, including those from the Sport and Active Recreation Forum, Cultural Partnership and the Sports Council. Community representatives from each locality could be nominated, as local community planning arrangements develop, to sit on the forum to provide local advice and intelligence, ensuring both commissioning and delivery are well informed by citizen insight.
- 3.4 The forum could also potentially oversee and manage participatory budgeting for small grants schemes currently operated by the Council. These arrangements can support the wider shift to local community planning required to support effective locality working.

#### **4. FUNCTIONS REMAINING WITHIN THE COUNCIL**

- 4.1 Implementation of the recommended option by April 2016 is achievable, although the timescale is challenging. 136 Council staff would be in scope for transfer under TUPE to new Trust arrangements.
- 4.2 PKC would continue to provide Support Services to the new Culture Trust in the short to medium term. The provision of these services would be at no additional cost to PKC. In accordance with OSCR guidance, the new Culture Trust would, over time, review the provision of these services and decide on the method of delivery that best suits the requirements of the Trust.
- 4.3 With the shift to strategic commissioning, the total value of services being delivered by arms-length organisations would double, from the current £5.3M to £10.3M (2015/16 figures). The Council has a statutory requirement to 'follow the public pound' in respect of commissioned services. A robust commissioning and monitoring function within the Council will be required to support new Trust arrangements, in the context of the Council's wider Transformation Programme and a potential wider shift to strategic commissioning in the future. This new function will be reflected in the Council's future management structure to support ongoing transformation of services.

- 4.4 As part of the ongoing improvement programme within CCS to ensure services are well placed to meet future needs, a review of the existing management structure of Culture Services has been ongoing since 2013/14 and has delivered £50,000 (in 2013/14) in savings to date. A further potential saving of **£30,000** has been identified from this which it is proposed to complete prior to any transfer to new Trust arrangements. A further **£20,000** in efficiency savings will also be found from Culture and Community Services (CCS) over the course of 2015/15, in addition to service reviews already underway.

## 5. CORPORATE SUPPORT FUNCTIONS AND SHARED SERVICES

- 5.1 With a move to new commissioning arrangements, there are two key issues to consider in relation to corporate functions (Finance, IT, HR, Property Services, Facilities Management, Marketing, Conferences, Box Office/Front of House):

- Ensuring a smooth transition to the new arrangements with good business continuity for customers.
- The potential to deliver further savings by putting shared services in place between LAL, HX and a new Culture Trust.

- 5.2 Assuming that total savings of **£382,000** are achieved from NDR savings and wider efficiencies within CCS efficiencies, a further saving of **£160,000** is required to achieve the total required saving of £542,000. The OA identified important potential for economies of scale between three separate Trusts by combining key corporate functions. For example:

- Creating a shared strategic finance/corporate planning function. (Management accounting/other transactional finance functions would remain in-house requirements for both Trusts).
- Shared procurement of HR and legal services.
- A shared Property Services, Facilities Management and H&S functions.
- A shared conference/business tourism/marketing team.
- A shared catering and retail function.
- Shared Front of House teams.

- 5.3 Assuming option 4 is approved, LAL, HX and the new Culture Trust would be asked to identify and deliver a **£160,000** saving from April 2016 onwards, by developing shared service arrangements from the functions identified above. Service Level Agreements between the Trusts would specify levels of service provision and how joint resources would be aligned to meet shared needs.

- 5.4 Corporate functions **not** identified for shared service arrangements at this stage are:

- IT – there are separate procurement and contractual arrangements in place between the Council, LAL and HX and the risks of business continuity if changes were attempted at a time of much wider change are significant, and would incur additional cost.
- Box Office – whilst a single box office portal is highly desirable from the customer perspective, it would be dependent on an integrated IT system so the issues outlined above apply.

## 6. NEXT STEPS

6.1 Report 14/438 set out the key delivery phases for a move to further strategic commissioning from Trusts:

- **Phase 1: Pre-planning** – OA, staff and stakeholder engagement.
- **Phase 2: Planning** – business continuity and transition planning; negotiating the commissioning blueprint (key outcomes, outputs, deliverables to be commissioned from Trusts); agreeing resource transfer arrangements.
- **Phase 3: Transition** – business continuity; transfer of staff (TUPE) and transfer of other resources; public and stakeholder communication to launch and brand new Trust arrangements.
- **Phase 4: Transformation** – implementation of shared service arrangements between Trusts and moving into ‘business as usual’ delivery.

This report summarises the outputs from Phase 1. Key milestones for Phases 2-4 are summarised in **Appendix 3**.

## 7. CONCLUSION AND RECOMMENDATION(S)

7.1 As instructed by Council on 7 October 2014, the Executive Director (Education and Children’s Services) has completed a detailed OA to identify recommended new commissioning and delivery models for culture and sport which can protect our substantial investment in these services; re-shape them to deliver against our future ambitions; and achieve required savings of £542,000.

7.2 It is recommended that the Council:

- a) Notes the outcome of the options appraisal on new Trust arrangements, which demonstrates customer, financial and other benefits deliverable through new Trust models.
- b) Approves Option 4 as the most appropriate delivery model for culture and sport for April 2016 onwards to achieve benefits and required savings.
- c) Instructs the Executive Director (Education and Children’s Services) to proceed with implementation of option 4 including the establishment of a new Culture Trust from April 2016.
- d) Notes that a further review of implementing Option 5 will be undertaken during 2017/18 with any recommendations being brought back to Council for consideration; *and*
- e) Instructs the Executive Director (Education and Children’s Services) to provide an update on implementation progress to Full Council in May 2016.

**Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
Fiona Robertson	Head of Cultural and Community Services	<a href="mailto:FionaRobertson@pkc.gov.uk">FionaRobertson@pkc.gov.uk</a> 01738 476270

**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
John Fyffe	Executive Director	16 June 2015

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

1.1 This report relates to the delivery of the Perth and Kinross Community Plan / Single Outcome Agreement in terms of the following priorities:

- Developing educated, responsible and informed citizens
- Promoting a prosperous, inclusive and sustainable economy
- Supporting people to lead independent, healthy and active lives
- Creating a safe and sustainable place for future generations

#### Corporate Plan

1.2 This report relates to the achievement of the Council's Corporate Plan Priorities:

- Developing educated, responsible and informed citizens;
- Promoting a prosperous, inclusive and sustainable economy;
- Supporting people to lead independent, healthy and active lives; and
- Creating a safe and sustainable place for future generations.

## 2. Resource Implications

### Financial

- 2.1 There are financial implications to this report. To achieve the total targeted saving required of £542,000, savings will be found from the following areas on the assumption that Option 4 is approved as the recommended option:

<b>Saving</b>	<b>Area</b>	<b>Notes</b>
£332,000	NDR savings on Council buildings where management responsibility would transfer to Trusts.	Building ownership would remain with the Council. Sufficient resource transfer to enable Trusts to take on full property maintenance and repair responsibilities will be required.
£50,000	Ongoing service review of Culture Services to be concluded prior to transfer.	
£160,000	Savings required from new Culture Trust, LAL and HX by creating shared service arrangements.	
<b>TOTAL</b>		<b>£542,000</b>

### Workforce

- 2.2 There are workforce implications arising from this report:

- Staff in culture and sports roles with direct responsibility for delivering these services would be in scope to transfer to new Culture Trust and LAL under TUPE. This constitutes the majority of the total number of staff in scope (136 in total).
- Some ECS administrative/finance posts may also be in scope to transfer to new Trust arrangements under TUPE.
- No PKC staff will be transferring to HX.
- Pension Arrangements:
  - A New Culture Trust would make an application for Admitted Body status in respect of pension schemes. Early enquiries with the Local Government Pension Scheme have indicated that this will be viewed favourably and we therefore do not anticipate the new Culture Trust having any difficulty with being granted admission to the scheme.
  - LAL already has Admitted Body status in respect of pension schemes and would therefore offer a broadly comparable pension scheme for Council staff transferring under TUPE.

All members of the scheme are advised by the actuaries of their liabilities for employees pensions. If staff transfer from PKC to an organisation with admitted body status the actuaries will be advised of the staff involved and adjust the liability of the organisations involved. This would mean a reduction in liability for PKC and an increase for new Culture Trust and LAL.

- CCS management and ECS administrative/finance functions not in scope for transfer would need to be reviewed as part of the transition process. Where staff cannot be deployed normal workforce management arrangements will be applied.
- The PKC accounts for 2013/14 has the following points within how the council will fund the liability. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due) as assessed by the scheme actuary. The same principals would apply to HX and LAL.

#### Asset Management (land, property, IT)

- 2.3 There are asset management implications arising from this report. External legal advice has been provided on these. Under any of the options being considered the management of Library, Museum and other buildings will be transferred out of PKC into an Arms Length External Organisation (ALEO). This will require detailed work to be undertaken in relation to leases, title deeds and unravelling some historical complications connected with these properties. Buildings will be leased on a Full Repairing and Insuring (FRI) contract.

IT systems access: some staff will need continued access to SEEMIS and/or other PKC council software systems. This can be provided by IT either through remote web access or through direct access using PKC equipment located in schools or via a PKC laptop.

### **3. Assessments**

- 3.1 The proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- (i) An EqIA has been completed with the assessment that the proposals in this report provide key opportunities to preserve and promote key public services and opportunities for communities in Perth and Kinross. The [EqIA](#) is available here.

### 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.

This section should reflect that the proposals have been considered under the Act and no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.

### Sustainability

- 3.3 N/A

### Legal and Governance

- 3.4 There are legal and governance issues arising from this report. External legal advice was procured to inform the report findings.

### Risk

- 3.5 A full risk profile and risk management approach will be developed for the transition phase. Currently the key risks facing the project are:

<b>Risk</b>	<b>Mitigation</b>
There is a risk that specific requirements, in particular arrangements to transfer property management responsibilities to Trusts mean the April 2016 timescale is not achieved.	Legal, Property and Estates Services capacity will be required to address property transfer issues. A dedicated fixed term contract Project Manager will be appointed to oversee the transition process.
There is a risk that the existing Trusts, LAL and HX, do not support the recommended option.	Both Trusts have been engaged throughout the development of this report and have inputted to the OA.
There is a risk that the scale of change for HX may impede its promising recovery following financial difficulties it faced in 2013.	The current HX Board has been engaged in discussions to date and has sought independent legal advice on the risks attached to the options. Ongoing Council support to help HX strengthen and improve its strategic finance function will be required (as would be the case if the status quo was retained). The new HX CEO has begun an organisational review to ensure HX is best placed to deliver an ambitious future remit including Perth Theatre redevelopment
There is a risk that the benefits of new Trust arrangements are not clear to the public, stakeholders, and staff.	An internal and external Communications Plan for the transition period, including new branding arrangements for the

	Culture Trust, will be developed and implemented.
There is a risk that staff in the Council, LAL and HX become disengaged from the change process and morale is affected because of the scale of change.	Council staff have been engaged throughout the development of this report and have inputted to the options appraisal via involvement in the Project Team and Project Board. Ongoing staff communications and feedback channels have been in place since November 2014. This will continue throughout the transition process. LAL and HX have been offered support and advice on staff briefing and engagement processes.
There is a risk that other key stakeholders, including funders do not support the recommended option.	Key stakeholders have been briefed since November 2014 on the Council's consideration of new Trust arrangements and have been confidentially briefed on the emerging conclusions from the OA. Many Councils are examining, or have already moved to, Trust arrangements for culture and sport.
There is a risk that business continuity during the transition does not run smoothly and the quality of services for customers is disrupted.	Transition Plans for all key Council functions in scope for transfer have been prepared. Business Continuity will be overseen by the Transition Project Manager and strong risk management in place to address any potential service disruptions.

#### 4. Consultation

##### 4.1 Internal

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

- Depute Director, Education and Children's' Services\*
- Business and Resources Manager, Education and Children's' Services\*
- Head of Property Services\*
- Head of Corporate Finance \*
- Chief Accountant
- Head of Legal Services\*
- Head of Human Resources
- PKC Communications Team

\*Member of SFCS Project Board

## Staff consultation

A meeting for affected PKC Culture and Sports Services employees was held on 7 November 2014, where the contents of report No. 14/438 were shared with staff. Initial feedback from staff was sought at this meeting on the five options in scope.

A group of employees from each of the affected staff teams were invited to a focus group held on 30 January 2015. At this meeting the Head of Cultural and Community Services discussed in detail the options in scope and staff were able to provide in depth feedback on the impact of each proposed option on customers, service delivery and staff.

Additionally, employees have received updates through FAQs and regular bulletins from the Head of Cultural and Community Services. Feedback has been sought from staff through an on-line Survey tool which has provided excellent information and comments which has been included in the OA contained within this report.

Further staff briefings were held between 6 and 14 May 2015 where the Head of Cultural and Community Services provided an update on the OA and the emerging outcomes from this piece of work.

## 4.2 External

### **Horsecross Arts**

Engagement with HX Board and senior staff team has been very positive. However HX Board is concerned about taking on new functions at this stage in its development, particularly in areas in which it does not currently have expertise and where potential financial risks exist, attached to Libraries in particular. HX Board were briefed by Natalie Padbury, Project Manager and Head of Cultural and Community Services on 9 February 2015; further meetings were held with representatives of HX Board on 11 and 19 May 2015; and two meetings were held on 20 and 22 January 2015, with HX senior managers and the wider management team. HX have also been involved in engagement with their staff team.

### **Live Active Leisure**

An initial meeting with LAL senior management team and Chair was held on 21 January 2015. Following this briefing by Natalie Padbury, Project Manager and Head of Cultural and Community Services, LAL took the options proposal to its Board on 12 February 2015, and feedback provided to PKC on 18 February 2015. The move to include Active Sports and Sports Development in their portfolio has been met with a very favourable response. A position that was reconfirmed at its Board meeting on 19 May 2015. LAL have maintained engagement with the staff teams throughout this period.

## Communications Timeline

What	When	Who
Leadership development sessions for CCS SMT	June 2014 onwards/ongoing	Head of CCS
TU Briefed	October 2014; May 2015	Head of CCS/HR
CCS Service Managers briefed on emerging recommendations	April 2015	Head of CCS/HR
CCS Extended Management Team briefed on emerging recommendations	5 May 2015	Head of CCS/HR
Workshop with Elected Members	24 May 2015	Head of CCS/Project Manager
HX and LAL Chairs and CEOs briefed	January 2015-June 2015, and ongoing	Head of CCS
Major funders (Creative Scotland; Sportscotland; Gannochy Trust) briefed	May/June 2015	Head of CCS
<b>Council Meeting and consideration of options appraisal</b>	1 July 2015	
Wider Stakeholder briefings	After 1 July 2015 as required	
Face-to-face update and briefing for CCS Staff in scope	8 July 2015	Head of CCS/John Fyffe

## 5. Appendices

Appendix 1 – Project Governance and Options Appraisal Methodology

Appendix 2 – The Commissioning Blueprint

Appendix 3 – Outline Transition Plan : Key Milestones

**Appendix 1****PROJECT GOVERNANCE AND OPTIONS APPRAISAL METHODOLOGY****1. GOVERNANCE**

- 1.1 The OA and other investigations undertaken to inform this report was overseen by a Project Board chaired by the Depute Director, Education and Children's Services with representation from corporate and ECS Finance, Property Services, HR, Corporate Communications, and Education Services. Cultural and Community Services senior management was also represented on the Board.
- 1.2 The detailed OA was coordinated by a fixed term Project Manager, supported by a Project Team with representation from relevant Council services.
- 1.3 The OA included a full assessment of the risks and benefits to be derived from maintaining the status quo for all services in scope.
- 1.4 Each individual service in scope was also assessed, to identify any differences in risks and benefits derived from transfer to Trust arrangements.
- 1.5 A key role for the Project Team has been to prepare Transition Plans identifying the key tasks involved in moving Council services to new Trust arrangements. This information will be used to inform Business Continuity Plans in the event of services transferring to new Trust arrangements, and an accompanying Risk Profile for the recommended option.
- 1.6 External legal advice was procured for the Project Board to support consideration of options and to inform considerations in relation to property.
- 1.7 External advice on VAT implications was also procured for the OA.
- 1.8 PKC staff in scope, plus the Boards of HX and LAL were engaged throughout the process.

**2. OPTIONS APPRAISAL: SUMMARY**

- 2.1 Detailed OA was completed on the five options in scope, alongside consideration of the option to maintain the status quo. The findings are summarised below and the detailed OA plus explanation of criteria follows this summary.
- 2.2 In each option, ownership of buildings/property and of museum/fine art collections remains with the Council, but responsibility for managing these will transfer to Trusts.

**Maintaining the status quo**

- 2.3 The first area for examination was the benefits and risks of maintaining the status quo. Here, Council services currently delivered in-house would remain so with HX and LAL continuing to deliver their current remits. For this part of the OA, each of the services currently delivered in-house was examined to

determine what specific benefits would derive from commissioning them from Trusts and what risks would arise if the status quo remained. This is summarised in Table 1 below.

**Table 1**

<b>Service</b>	<b>Benefits of commissioning</b>	<b>Risks of Status Quo</b>
<p><b>Sports Development &amp; Active Schools</b>            Service Costs: £400,000            (including salary costs of £283k)            FTE: 18.28            Head count: 21            Note: Active Schools core-funded by <b>sportscotland</b> with confirmed funding in place to 2015/16.</p> <p><b>Venues:</b>            Kinloch Rannoch and Blackwater Outdoor Centres (PKC owned)</p> <p><b>Contribution to savings target: £10,433</b></p> <p>From NDR savings on Outdoor Centres</p> <ul style="list-style-type: none"> <li>• Blackwater</li> <li>• Kinloch Rannoch</li> <li>• Sports Development</li> </ul>	<ul style="list-style-type: none"> <li>• Single integrated sports 'offer' for customers, including more joined-up engagement with communities and schools</li> <li>• Better integrated sports programmes across P&amp;K and tailored to localities.</li> <li>• Integrated, more transparent pricing policy across the whole sports 'offer' and opportunities to cross-market to different customer groups.</li> <li>• More commercial approach to marketing/using the Outdoor Centres.</li> <li>• More integrated approach to developing Community Sports Hubs.</li> <li>• Improving the Bookings and Lettings systems.</li> <li>• Opportunities to strengthen the partnership with health: eg better collaboration across health improvement and sports services/providers.</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunities to integrate services, programmes, pricing and marketing would be lost.</li> <li>• NDR saving from property would not be achieved.</li> </ul>
<p><b>Note</b> on VAT implications of transferring Sports Development and Active Schools to Live Active eisure: assessed as <i>cost neutral</i>.<sup>2</sup></p> <p><b>Note</b> on NDR savings include £1,176 to be saved from budget following sale of Fearnan outdoor centre</p>		
<b>Service</b>	<b>Benefits of commissioning</b>	<b>Risks of Status Quo</b>
<p><b>Museums &amp; Galleries</b>            Service Costs: £1.07m            Staffing: £893k            FTE: 24            Head Count: 29</p> <p><b>Venues:</b>            Perth Museum and AG Fergusson Gallery            Alyth Museum</p> <p><b>Contribution to savings target: £52,681 (NDR and</b></p>	<ul style="list-style-type: none"> <li>• Significant NDR savings because of number of venues, protecting front line services</li> <li>• Better integrated cultural programmes across P&amp;K and tailored to localities</li> <li>• Integrated more transparent pricing policy across the whole cultural 'offer' and opportunities to cross-</li> </ul>	<ul style="list-style-type: none"> <li>• NDR savings would not be achieved.</li> <li>• The current delivery model relies on grants and external funding sources, with little scope for generating additional income.</li> <li>• The contribution to savings would need to be found from existing services, which is likely to impact on customers through a</li> </ul>

<sup>2</sup> Deloitte, *Perth and Kinross Council Trust Options Report*, 15 April 2015

£2,000 from Gift Aid)	<p>market to different customer groups</p> <ul style="list-style-type: none"> <li>• More commercial approach to marketing/using cultural venues, eg for weddings, film locations</li> <li>• Growth in digital/online services. Trusts have more procurement flexibility to purchase IT systems which better meet service/customer needs and charitable status would allow software to be purchased at a discount</li> <li>• Tax benefits are available to charities such as Gift Aid and legacy donations. This has the potential of raising between £2,000 and £4,000 per annum.</li> </ul>	reduction in opening hours.
<b>Service</b>	<b>Benefits of commissioning</b>	<b>Risks of Status Quo</b>
<p><b>Libraries, Archives &amp; Local Studies – NB statutory service</b>  Service Costs: £2.1M  Staffing: £1.4M  FTE: 63.9  Head Count: 86</p> <p><b>Venues:</b>  13 Community Libraries  4 Mobile Libraries</p> <p><b>Contribution to savings target: £253,760:</b></p> <p><b>£206,035</b> from NDR on Library Properties<sup>3</sup></p> <ul style="list-style-type: none"> <li>• Scone</li> <li>• Comrie</li> <li>• Alyth</li> <li>• AK Bell</li> </ul> <p><b>£47,725</b> from Libraries within Community Campuses</p> <ul style="list-style-type: none"> <li>• Breadalbane</li> <li>• Loch Leven</li> <li>• North Inch</li> <li>• Strathearn</li> </ul>	<ul style="list-style-type: none"> <li>• Significant NDR savings because of number of properties which would transfer to Trust management.</li> <li>• Better integrated cultural programmes across P&amp;K and tailored to localities.</li> <li>• Integrated more transparent pricing policy across the whole cultural ‘offer’ and opportunities to cross-market to different customer groups.</li> <li>• More commercial approach to marketing/using venues, eg for weddings, film locations.</li> <li>• Growth in digital/online services. Trusts have more procurement flexibility to purchase IT systems which better meet service/customer needs and charitable status would allow software to be purchased at a discount.</li> </ul>	<ul style="list-style-type: none"> <li>• NDR savings would not be achieved.</li> <li>• The service has recently been reviewed and transformed with £291,000 savings already found. There is no further scope for savings in the status quo without affecting front line services.</li> <li>• Library services have limited opportunity to generate income, often relying on cross subsidisation from other CCS activities to cover shortfall in its budget.</li> <li>• More effective use of technology has been successful in ensuring books and loan items are returned in good time, resulting in income from overdue fines being heavily reduced.</li> </ul>
<p><b>Note</b> on VAT implications of transferring Culture Services to:</p> <ul style="list-style-type: none"> <li>• Options 3 + 5: (‘HX Plus’ or new Single Trust): taxable % of 78% = net benefit of VAT</li> </ul>		

<sup>3</sup> Only Library properties where the Council is currently liable for NDR are included in this list.

recovery estimated at **£35,000** pa from current status quo.

- Two Trusts (HX + New Museums, Galleries and Libraries Trust): taxable % of 97% (HX current VAT position unchanged + tax restriction on New Trust)<sup>4</sup>.

**Note** on NDR: additional saving of **£16,167** identified from historic budget provision for rate increases to HX and LAL which have not materialised.

- 2.4 As Table 1 shows, if the status quo was maintained then a full review of all services in scope would need to be undertaken to find savings of £542,000 from 2016/17 onwards. Given the reviews and savings already delivered from Cultural and Community Services since 2012/13 (totalling £1,163M since 2012/13, including savings required from LAL and HX), any further savings from the status quo delivery model would unavoidably impact on front line services. The analysis also shows that a total of **£332,000** in annual NDR savings would be achievable from a move to new Trust arrangements.
- 2.5 Independent advice from Deloitte also demonstrates a VAT recovery benefit estimated at **£35,000** annually if Council Culture Services and HX Performing Arts were transferred into a single Cultural Trust, (either option 3 or option 5).

### **The Instrumental Music Service**

- 2.6 In addition to the service analysis set out above, the impact of transferring the Instrumental Music Service (IMS) to Trust arrangements was examined. The IMS is the only service provided by Cultural and Community Services which is entirely schools-based and supports attainment of SQA qualifications for some pupils using the service. There are no buildings associated with IMS and therefore no NDR savings to be made. In addition, the IMS will be liable for additional VAT payments if the service is transferred to a Trust, for costs attributable to delivery of core education services which the Council can fully recover if the service remains in-house.
- 2.7 The IMS is currently subject to a separate service review to identify opportunities for improvement in line with recommendations from a 2015 national report and performance data (including comparative data from other IMS across Scotland) in relation to wider Curriculum for Excellence outcomes.
- 2.8 The IMS service review has identified that a more integrated delivery model within the school clusters is key to widening participation in the service and other improvements. In particular, the SQA provision would benefit from sitting within the statutory quality frameworks which exist for schools, by locating the IMS within Education Services (Secondary and Inclusion). The review findings, including proposals to find £75,000 savings from a review of income and expenditure, will be presented to Lifelong Learning Committee for consideration and approval later this year.

### **Option 1: The Single Trust Option.**

- 2.9 This option means the dissolution of the two existing Trusts to establish a single new Culture and Leisure Trust. This option was previously examined as

<sup>4</sup> Ibid.

part of a 2010/11 OA, which resulted in a move to sole member company status for HX and LAL but did not proceed with the creation of a single Trust.

### **Outcome**

- 2.10 The analysis found that a single Trust potentially represents the best scenario for achieving economies of scale over a longer period of time. The ability to create economies of scale by combining back office functions, marketing/new business development etc, would provide a strong central resource of specialist expertise which is not cost effective for 2 or 3 separate smaller Trusts. Potentially, these shared services could also expand to offer back office support to other smaller Trusts in Perth and Kinross.
- 2.11 Museums, Galleries, Archives and Library services traditionally struggle to generate sufficient income and are presently cross-subsidised by other budget codes in CCS. Conversely, sport and leisure have a good track record in generating an operating surplus. By bringing these services together there would be an opportunity for all the culture and sport services to operate within budget, allowing for surplus to be reallocated across the Trust to support the key strategic priorities of the Council, including activities which do not generate significant income but do deliver wider socio-economic benefits.
- 2.12 However, the scale of change involved to create a single Trust is very significant. The new Trust would employ approximately 790 staff and would require large TUPE transfers, as well as constitutional change to both existing Trusts. LAL has strongly indicated during the engagement process that it does not support a move to a single Trust and would view it as compromising its specialist expertise in sports delivery. Other stakeholders, including funders, may also have concerns about a single Trust and whether grants and other external funding would continue to be directed at funders' specific priorities.
- 2.13 Additionally, the timescale needed to put new Trust arrangements in place by April 2016 in order to begin realising savings is unlikely to be achievable for this scale of change.

### **Option 2: Live Active Plus Option.**

- 2.14 This option would involve commissioning sports services not already delivered by LAL (Sports development and Active Schools) from LAL, plus the culture services currently delivered by the Council.

### **Outcome**

- 2.15 LAL Board has stated throughout the engagement process that it does not have relevant skills in culture provision and has no wish to take on this additional area of service delivery. Theoretically the Council could, as sole member, direct LAL to take on these additional commissioning responsibilities, but this constitutes an additional and unnecessary risk. The other 4 options represent considerably less risk and are all achievable, albeit within a range of timescales.

**Option 3: Expanded sports remit for Live Active Leisure, plus “Horsecross Arts Plus” option.**

- 2.16 This would involve commissioning culture services currently delivered by the Council from HX, and commissioning Sports Development and Active Schools from LAL.

**Outcome**

- 2.17 The analysis found that this option delivers some key benefits which are common to Option 5 and outlined below in paras 2.19 - 2.20. Only staff from PKC would be required to TUPE in this scenario. However, there are some risks which do not apply to Option 5:

2.17.1 The potential risks to the Council as commissioning body are greater because of the financial difficulties which HX has recently faced and from which it is still recovering, whilst also dealing with a significant reduction in its regular funding from Creative Scotland from 2015/16 onwards. Under sole member powers, the Council was required to step in in October 2013 to protect HX as a charitable asset, and additional financial monitoring requirements remain in place. Widening HX’s existing remit at this point may have a detrimental impact on its promising but fragile recovery. An important success factor would be an effective financial planning and management function within HX, taking into account the total value of services (amounting to over £5M) which would be commissioned from the new Trust.

2.17.2 This option was not generally supported by Council staff in the scope of transfer. Staff were uncomfortable about the possibility of moving into an organisation which has had financial difficulties in the past and feared that their jobs and terms and conditions could be at risk as a result.

2.17.3 HX Board has also recognised that this option does not provide them with the opportunity to rebrand and reposition itself as part of the recovery process.

**Option 4: Expanded sports remit for Live Active Leisure, status quo for Horsecross, plus a third trust**

- 2.18 This option 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.

**Outcome**

- 2.19 The analysis found that while Option 5 seemed to represent the most effective and efficient outcome, significant risks were identified with this proposal. Establishing a third Trust would increase the governance requirements for the

Council, with three separate processes for managing contracts, financial accounting and commissioning.

2.20 The benefits of Option 4 would be:

- it provides an opportunity for museums, galleries and libraries to remain together offering a complementary group of services in a single brand that is recognised and understood by the public.
- It establishes a platform to raise funds for the new visual arts and cultural projects proposed for Perth City.
- It removes the concerns of HX Board and allows HX the opportunity to focus on recovery and delivery of the Perth Theatre project.
- Three Trusts would be able to generate savings of **£360,865** in respect of NDR and VAT efficiencies by April 2016, protecting frontline jobs and minimising impact on services. This is similar to the savings available with options 3 and 5.
- A third Trust would be established with PKC as Sole Member and would require an initial set up expenditure in the region of **£10,000**. This would be used for legal company registrations (OSCR and Companies House), to put in place the Memorandum and Articles and to recruit to the Board.
- PKC Culture staff would TUPE transfer into the new Culture Trust with minimal disruption and change.
- It represents a good intermediate step towards a single Culture Trust. A future review would be undertaken to consider again combining services provided by HX into one Single Culture Trust, once HX has consolidated and Perth Theatre is reopened.

### **Option 5: Expanded remit for Live Active Leisure, plus a new Single Culture Trust**

2.21 This would involve establishing a new Cultural Trust responsible for delivering the culture portfolio across Perth and Kinross. It would bring the skills, knowledge and expertise of HX and PKC Culture Services together. Under Option 5, the legal entity of HX would be used to create a new Trust. A change of name and expansion in charitable objects would be requested from OSCR which would be quicker, less costly and more straightforward than dissolving HX and establishing a new legal entity. Presentationally this may pose a risk to buy-in by Council staff, who may still perceive it as a 'take over' by HX. Key messages that the new organisation has a new name, brand and significantly different remit would be important. The current HX Board would be expanded to include new skills and expertise in museums, libraries and other aspects on culture. Sports Development and Active Schools would be commissioned, as in options 2 - 4, from LAL.

### **Outcome**

2.22 HX Board have significant reservations about such a large scale expansion and are fearful that the additional functions would act as a distraction at this key point in their own recovery, particularly when in the same time period they are engaged in a highly prestigious development of Perth Theatre. Additionally, HX Board have concerns that they do not have the knowledge and expertise to take on Council Culture Services and that the additional

portfolio of buildings and services (Libraries in particular) may represent a potential financial liability.

- 2.23 However, HX sees an opportunity in this option to reposition the performing arts 'offer' with a clearer and more distinctive brand than the current HX name and within a larger cultural organisation which can provide more financial stability through economies of scale and opportunities for customer growth.
- 2.24 Council staff are open to this option as a way forward in preference to Option 3. The move to a newly branded organisation would be seen as a joining of forces rather than a perceived 'take over' by HX. There are economies of scale that can be achieved through combining Council and HX skills and resources, and improvements that can be made to the customer experience as a result of improved marketing and use of technology to create a "one stop" portal for all cultural provision. An important success factor would be an effective financial planning and management function, taking into account the total value of services (amounting to over £5M) which would be commissioned from the new Trust.
- 2.25 The potential benefits which could be realised from a single Cultural Trust can be summarised as follows:
- A re-branded, single integrated cultural 'offer' for customers, important in an area of the size and diversity of Perth and Kinross
  - A size and scale of new cultural organisation which can respond to the significant visitor market opportunity identified in the feasibility work presented to Council on 7 October 2014, including through fundraising
  - A new organisation which can build on the substantial track record of the Council's Cultural Services and HX in terms of quality provision
  - An opportunity to bring all the skills, expertise and innovation in the current 2 structures into a single asset base, including the significant expertise and track record of the existing HX Board.
  - As a larger scale organisation, more influence and profile with key arts funders and stakeholders in Scotland/UK
  - Economies of scale by sharing public programming, venue management, marketing, communications, retail, catering and other expertise to provide a great customer experience.

### **3. Criteria for options appraisal**

- 3.1 This option appraisal process reflects the Council's internal guidance on OA 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 were used for the broad OA presented to Council on 7 October 2014 ([Report No. 14/438](#)).

- Opportunities to improve services and deliver outcomes which contribute to the wider strategic objectives of the Council and the Community plan.
- Potential to achieve financial efficiencies and savings
- Ease and practicality of implementation any new commissioning arrangements including acceptability considerations

3.2 Sub-criteria have been developed to identify specific issues, risks and benefits in more detail in relation to each of the options. These were used in all staff and stakeholder discussions during the OA process.

3.3 Each sub-criteria has been scored 1-5, with 1 being least positive and 5 being most positive. **The total maximum score is 90.**

**TABLE 2 – Options Appraisal Outcome**

Criteria	Sub-Criteria	Options STATUS QUO	Option 1 SINGLE TRUST - New Sport and Culture Trust	Option 2 SINGLE TRUST - LIVE ACTIVE PLUS	Option 3 TWO TRUSTS - LAL (Expanded remit) & HX PLUS	Option 4 THREE TRUSTS - LAL (Expanded remit) & HX & New Culture Trust	Option 5 TWO TRUSTS - LAL (Expanded remit) & New Culture Trust (PKC + HX)
1. Ability to deliver financial savings and efficiencies.	1.1 Property and Assets	0	4	4	5	4	5
	1.2 Customer Impact	2	5	3	3	3	4
	1.3 Governance	2	3	1	1	3	1
	1.4 Long Term	2	5	5	4	3	5
	1.5 Place-Based Working	1	4	4	3	3	3
	1.6 Stakeholders/Funders	0	3	1	0	3	4
	1.7 Staff	0	1	2	3	4	3
<b>Subtotals</b>		<b>7</b>	<b>25</b>	<b>20</b>	<b>19</b>	<b>23</b>	<b>25</b>
2. Opportunity to improve services	2.1 Property and Assets	1	1	1	0	4	4
	2.2 Customer Impact	1	4	2	1	3	5
	2.3 Long Term	1	4	3	2	3	4
	2.4 Place-Based Working	1	5	3	3	3	3
<b>Subtotals</b>		<b>4</b>	<b>14</b>	<b>9</b>	<b>6</b>	<b>13</b>	<b>16</b>
3. Ease of implementation and acceptability	3.1 Property and Assets	5	1	2	1	4	1
	3.2 Customer Impact	0	2	2	1	4	1
	3.3 Governance	5	1	0	1	4	1
	3.4 Long Term	1	4	2	3	3	4
	3.5 Place-Based Working	1	1	1	2	2	2
	3.6 Stakeholders/Funders	0	0	0	1	4	2
	3.7 Staff	0	1	1	2	5	5
<b>Subtotals</b>		<b>12</b>	<b>10</b>	<b>8</b>	<b>11</b>	<b>26</b>	<b>16</b>
<b>Totals</b>		<b>23</b>	<b>49</b>	<b>37</b>	<b>36</b>	<b>62</b>	<b>57</b>

## Appendix 2 THE COMMISSIONING BLUEPRINT

As well as defining the strategic outcomes required from culture and sport more tightly (**para 1.5**), the financial and wider strategic context in which new Trust arrangements would work require a renewed approach to how we commission and monitor services from Trusts. The emphasis must be on ensuring that the **initial** specification of services to be commissioned is clearly defined, measurable and flexible enough to take account of any major changes in the wider external environment.

For Trusts to deliver effectively against the commissioning blueprint it must be clear to their Boards and senior management teams:

- What the commissioning priorities are for the Council and how Trusts are expected to contribute to wider strategic outcomes for Perth and Kinross;
- Where shared service and other efficiencies must be found;
- What measures of success will be used to monitor the performance of Trusts; and
- What wider compliance and quality assurance standards Trusts need to meet.

In future, it is proposed that the outcomes outlined in para 1.5 of this report form the common strategic framework within which both culture and sport provision is commissioned, delivered, monitored and reported against. Within this framework, more detailed outputs, inputs and activities (specific to culture and sport respectively) should form the basis of the 'commissioning blueprint' which the Council uses to define what it expects Trusts to deliver.

Table 3, below, sets out the outline proposed commissioning blueprint for new Trust arrangements. Clearly defined outputs, deliverables and performance measures would need to be developed in detail during the transition period to new Trust arrangements, and form the basis of the contracts with the Council.

**Table 3**

Output	Notes
<b>Sustainable economic growth</b>	
Delivering or supporting high quality public programmes and events which contribute to the leisure tourism offer in Perth and other locations, including: <ul style="list-style-type: none"> <li>• Visual and performing arts programmes of national/international significance.</li> <li>• Competitive sporting events of national/international significance</li> <li>• Festival and Events, including sport/outdoor education, music, spoken word/literary.</li> <li>• Civic and other key events such as the Winter Festival.</li> </ul>	To be agreed and defined annually, including audience/income targets.
Managing major city venues:	Roles and responsibilities in respect of

<ul style="list-style-type: none"> <li>Perth Leisure Pool</li> <li>Bell's Sports Centre</li> <li>Perth Concert Hall</li> <li>Perth Theatre</li> <li>Perth City Museums and Galleries</li> </ul>	delivering the PH20 and Perth Theatre redevelopment projects for the period 2016-2021 to be additionally defined.
Securing conference and business tourism opportunities for Perth city.	Income and other performance targets to be defined annually.
Delivery of training and employability opportunities including participation in Council MA and Graduate Trainee schemes.	Other social benefit clauses (eg procurement approaches) to be contractually defined.
Delivery of volunteering programmes across culture and sport.	Participant targets to be defined annually.
<b>Reducing Inequality</b>	
Increasing overall participation levels in culture and sport by a defined % each year	
Delivery of culture and sport programmes targeted at (for eg): <ul style="list-style-type: none"> <li>Financially disadvantaged groups</li> <li>People with a disability</li> <li>Young people at risk</li> <li>People with long term/underlying health conditions</li> <li>Older people</li> <li>People from ethnic minority groups</li> </ul>	Concessionary pricing schemes to support access to be contractually defined, in line with the Council's revised corporate charging policy. Specific locality/community of interest needs may vary from year to year from those proposed in the left hand column and would be specified annually.
Social prescribing schemes which support wider locality working to tackle stubborn inequalities in defined areas of P&K.	Participant targets to be defined annually.
<b>Lifelong Learning</b>	
Delivery of family, parenting and Early Years programmes including outdoor/adventurous activities,; wet/dry sports activities; Bookbug, RhymeTime and Chatterbug; music & drama.	Participant targets to be defined annually.
Delivery of activities to support core curriculum in schools including PE, swimming, Expressive Arts.	In line with statutory curriculum requirements.
Delivery of wider achievement programmes for children and young people across culture and sport.	Participant targets to be defined annually.
Delivery of Creative and Community Learning programmes across localities including mainstreamed 'Living Communities' outreach model for heritage/natural environment, and reader development programmes in libraries	Activities and participant levels to be defined annually
<b>Empowering Communities</b>	
Enabling and capacity building support to community-led sports and arts organisations across localities.	Targets to be defined annually.
Delivery of Community Sports Hubs in line with national policy aims.	Targets and milestones to be defined annually.
Delivery of outreach programmes in culture and sport using Living Communities methodology.	Targets and milestones to be defined annually.
Development support to communities on local asset transfer and/or community-led	Targets and milestones to be defined annually.

management arrangements for local culture and sport services/facilities.	
<b>Other requirements</b>	
Venues specification for venues to be operated.	This would specify all venues to be operated by Trusts and the level of specification required.
Shared service requirements.	This would specify where Trusts are required by the Council, as sole member, to implement shared service arrangements to deliver economies of scale and best respond to customer needs/demands as well as key growth opportunities such as business tourism and conferences.
Property Maintenance and Planned investment requirements.	This would specify the maintenance requirements and standards expected by the Council in relation to all venues transferred to Trust management arrangements.
Compliance & QA requirements.	This would specify all compliance requirements from Trusts including statutory compliance requirements (eg Health and Safety, Equalities and Diversity, Freedom of Information) and Council policy requirements (eg alignment with corporate charging policy, complaints procedures).
Customer engagement requirements.	This would specify requirements in relation to customer engagement to inform continuous improvement of services.

### **Commissioning and monitoring/scrutiny arrangements for Trusts**

In discussion with the existing Trusts, the duration of contract periods was raised. Currently both Trusts have an annual contract which is reviewed and signed at the start of each financial year. Longer contract periods, for example 3 years, enable Trusts to plan their activities in the medium term on a more stable basis and take more managed risks about growing new income streams. It is possible for Councils to do this where it is satisfied that the contract arrangement will deliver Best Value over the full contract period and best meet the needs of customers. As a minimum, Trusts need reasonable planning assumptions on which to base their own financial strategies, including planning for a worst, best and mid-case scenario.

A key assumption throughout the OA has been that the sole member company model (SMC) would remain the Council's preferred model for Trusts. The SMC model protects and limits the individual liability of company Directors and also enables the Council to step in to protect the company as a charitable asset in the event of catastrophic failure of management or other exceptional circumstances. These circumstances are clearly defined in the Memorandum of Agreement in place between the Council and existing Trusts LAL and HX.

The scrutiny process for SMC Trusts is via the Council's Audit and Scrutiny Committees. External scrutiny may be applied by Audit Scotland (as in 2014 when a review of both HX and LAL was completed) and by the Officer of the Scottish Charities Regulator (OSCR) which regulates charities and charitable Trustees.

**APPENDIX 3**  
**Outline Transition Plan: Key milestones**

<b>Milestone</b>	<b>Deadline</b>	<b>Notes</b>
Appoint Project Manager	End July 2015	12 month Fixed Term Contract
Confirm Project Board and Team for transition phase	End Aug 2014	
Project Plan, Risk Profile, Transition Workstreams and Business Continuity Plans scoped and approved by Project Board Internal and external communications plans prepared	End Sept 2015	
Confirm shadow Board arrangements for new Culture Trust	Mid Sept 2015	Proposed as expansion of current HX Board
Confirm functions, teams, individuals to transfer Commence staff/TU engagement	Start Oct 2015	
Negotiate detailed Commissioning Blueprint, resource transfer (staff, finance, property/other assets) with Trusts	Start Oct 2015-mid Dec 2015	
Confirm shared service arrangement requirements with Trusts	Start Oct 2015-mid Dec 2015	
Council approval of new contracts for 2016/17 onwards	TBC	
Staff transfers	TBC – Jan 2016 onwards	Sports Development and Active Schools staff may be able to transfer prior to April 2016
Transfer of property	By 1 April 2016	
Public soft launch	April 2016	
'Go Live'	Mid April 2016	
Ongoing transformation – led by Trusts	April 2016 onwards	
Further review to consider implementation of Option 5	Year 2017/8	