

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT OF THE CORPORATE DIRECTOR COMMUNITIES

COMMUNITY RENEWAL & ENVIRONMENT OVERVIEW AND SCRUTINY COMMITTEE

13 APRIL 2015

CULTURAL PARTNERSHIP PROJECT

1. Purpose of Report

The purpose of the report is to update the Committee on the business case for establishing a new Not for Profit Distributing Organisation (NPDO) as an alternative service delivery model for the delivery of a range of Cultural Services¹ and to seek recommendations on an outcomes based commissioning framework by which to monitor and evaluate performance.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

2.1 Cultural Services play a vital role in the wellbeing of communities across the county borough of Bridgend.

2.2 This report links to the following Corporate Priorities:

- Working together to develop the local economy
- Working together to raise ambitions and drive up educational achievement
- Working together to help vulnerable people to stay independent
- Working together to tackle health issues and encourage healthy lifestyles
- Working together to make the best use of resources

2.3 This report also directly links to the Council's Medium Term Financial Strategy.

3. Background

3.1 Bridgend County Borough Council (the Council) provides a range of cultural opportunities and provision designed to support learning at all ages, contribute to a sense of place and destination, and encourages community cohesion and wellbeing. Services include:

- Community and youth arts development
- Theatres and venues
- Community centres
- Library services
- Bryngarw House & Park
- Adult Community Learning

¹ Arts Services, Libraries, Bryngarw House and Park, B Leaf and Wood B and Community Centres

- 3.2 Public Library Services in the United Kingdom were made a statutory service of local government by legislation enacted in 1964 - The Public Libraries and Museums Act. This legislation requires local authorities to provide a "comprehensive and efficient library service for persons desiring to make use thereof". Responsibility for overseeing the terms of the 1964 Act in Wales rests currently with the Deputy Minister for Culture & Sport, who has a duty under Section 1 of the 1964 Act 'to superintend and promote the improvement of the public library services provided by local authorities..... and to secure the proper discharge by local authorities of the functions in relation to libraries conferred upon them as library authorities by or under the 1964 Act'.
- 3.3 In order to assist in discharging this responsibility, the Welsh Government established in 2002, 3-year Frameworks of Standards for local authority library managers, the WLGA and other relevant bodies. New targets of provision and performance are set every 3 years. An overall objective of the standards is to raise the level of resourcing for libraries in Wales towards that in place in England and Scotland. The Deputy Minister is currently considering an Expert Panel Review of Public Libraries Services in Wales which recommended that the Welsh Public Library Standards (WPLS) become statutory.
- 3.4 The Grand Pavilion, Porthcawl is a well-established arts venue, attracting over 118,000 visits in 2013. In November 2013 Blaengarw Workmen's Hall returned to the Council's operational estate after 10 years management by a local Not for Profit Distributing Organisation (NPDO). Maesteg Town Hall is operated by Maesteg Town Hall Ltd. with support from the Council. Both the Grand Pavilion and Maesteg Town Hall are Grade II Listed buildings and both are supported by the respective Town Councils of Porthcawl and Maesteg.
- 3.5 Bryngarw Park currently attracts over 200,000 visits per year. It is established as a key attraction and visitor destination for the county borough. Bryngarw House has recently developed a new service model focussed on the events and functions market.
- 3.6 Community centres are vital local resources which support a wide range of local voluntary and learning activities. Many have benefitted from operating under voluntary not for profit bodies that enable external funding to be levered to support building costs.
- 3.7 A critical area of work for the Council has been to determine how to tackle the long term sustainability of some of its cultural facilities and activities. It was required to consider what delivery models were the most suitable to achieve the best artistic, cultural and wellbeing outcomes for the people of Bridgend while achieving immediate MTFS outcomes and flexibility to respond to future financial pressures.
- 3.8 On the basis of a series of Cabinet reports dating from May 2014, Cabinet approved:
- in principle the establishment of a new NPDO to manage a range of arts and cultural services in Bridgend

- the procurement of the necessary professional and specialist advice to produce a detailed business case for change and the business plan for a proposed new NPDO

in October 2014:

- the inclusion of the Library Service within the in-principle proposal to establish a new NPDO to manage a range of arts and cultural services in Bridgend; receiving a further report in the autumn 2014 setting out the scope, preferred model, full financial and legal implications and key milestones to meet the planned savings in the Council's Medium Term Financial Strategy (MTFS).

and in January 2015:

- the establishment of a new NPDO for the management and operation of the Cultural Services defined in-scope, by the indicative transfer date of October 1st 2015.

- 3.9 The decision in January 2015 by Cabinet was made on the back of a robust business case and an appreciation of the alternative action that would be required to realise the savings of c. £0.5m for the Cultural portfolio.
- 3.10 Following previously approved recommendations on the strategic direction for the reconfiguration of the current model of supported living and local day services, Cabinet approved the inclusion of B-Leaf and Wood-B into the scope of the new NPDO given the close synergies to Bryngarw Park and the overall ethos of the new organisation.
- 3.11 The overall scope of the new organisation keeps together a number of services that have worked well together for a number of years and have the potential to offer more integrated services in the future. By working under a single business and brand focus, functions can feel comfortable to depart from their more traditional service silos and look at generating cross-cutting offers for customers and audiences.

4. Current Situation / Proposal

- 4.1 Before highlighting the key aspects of the new service delivery model and NPDO it is worth re-visiting the decision making process, the financial context, the potential options open to the Council and the business case for a new NPDO.
- 4.2 The MTFS sets out a minimum saving target for Cultural Services of £491,000 over the three years from 2015-16 to 2017-18. It sets out a minimum savings target of £134,000 for the Adult Social Care B-leaf and Wood-B programmes over the two years 2015-16 and 2016-17.

In addition, it was necessary therefore to evaluate the merits of potential options for delivering the MTFS savings. These were not limited to, but were variables of:

1. Do nothing and retain current provision
2. Reducing the level of service provision
3. In-house efficiencies programme

1. Do nothing and retain current provision

The Council could have retained its previous service model and made limited changes to service delivery. The budgeted subsidy for the services outlined in paragraph 3.1 (omitting ACL) and 3.6 of this report (from here on in referred to as *services in scope*) was £3,871,639 including central support costs.

While outcomes could be sustained but not developed, retaining the status quo of services and budget would have had the net effect of shifting the savings requirement onto other areas of the Council. In the case of the current MTFS this would have required the Council to identify a total of £491,000, and a further £134,000 for B-leaf / Wood-B, from other areas from 2015/16 through to 2017/18.

For this reason this option could not be recommended as it failed to meet the requirements of the MTFS.

2. Reducing the level of provision

To achieve recurrent savings of £625,000 per annum by 2017-18 would have required decisions to be taken to reduce current service provision. Options would have included for example the closure of the Grand Pavilion and the cessation of the grant funding for Maesteg Town Hall or alternatively the closure of a number of libraries, perhaps based on usage levels. It would also have involved a reduction in the operations of Wood B and B Leaf or the creation of a much smaller NPDO to operate only these services.

This option would have required public consultation and whilst it could have delivered the savings requirement it would also have meant:

- Reduced access to arts and libraries services with negative impacts on the majority of the Council's corporate priorities,
- No public theatre provision within the county borough,
- Asset management and grant claw back issues associated with any closure and mothballing of buildings. This would have left an impact on regeneration and town centre development in the case of the Grand Pavilion and Maesteg Town Hall,
- Loss of economic benefit from the Grand Pavilion (estimated to be worth £6 million per annum) to the local economy according to the Scarborough Tourism Economic Assessment Measure (STEAM),
- Staff redundancy costs.
- Loss of key outcomes and services in Communities First areas e.g. Bettws and Sarn.
- Potential reduction in performance against the Welsh Public Library Standards,
- Potential challenge from stakeholders in respect of the Council's duty to provide "*a comprehensive and efficient library service*" (because the Public Libraries and Museums Act 1964 does not define in any detail a de minimis level of service any reduction in service could be subject to challenge).

This option was not recommended because the risks and potential negative consequences were greater than those for the new NPDO.

3. In-house efficiencies programme

This option would have seen the Council retain all of the in scope functions and attempt to deliver its savings target through an efficiencies programme. This might have taken several forms, but if closures were omitted then it would have had to constitute a review of opening hours, staffing reductions and general housekeeping projects that might have uncovered minor savings.

This option would have been very difficult to deliver without reducing the level and quality of service provision because the services had already experienced significant budget cuts over the period 2010-2013 and therefore many of the efficiencies that may have existed had already been taken to protect the front-line service. This included a full review of the Library Service which yielded £310,000 from 2011 to 2014 and included the closure of three small libraries.

This option was not recommended because it is not would not be possible to deliver the recurrent savings requirement from efficiency savings alone.

Not for Profit Delivery Organisation

- 4.3 Following the Cabinet Report of May 2014 the Council appointed RPT Consulting Ltd. to carry out an options appraisal to consider the alternative service delivery models to determine if a new NPDO would be suitable for the provision of Cultural Services in scope and to deliver the savings identified in the MTFS. A full business case for the recommended option was to follow.

The alternative management options reviewed by RPT Consulting Ltd were:

Option	Description
In House	Direct Operation by the Council - options described above.
New Not for Profit Distributing Organisation (NPDO)	A NPDO is established specifically to operate arts and other facilities
Existing NPDO	A NPDO already established to operate another Council's facilities
Hybrid NPDO	A NPDO established by a private sector contractor to operate facilities
Private Sector	Private sector operator without NPDO structure, either generic leisure facility operators or specialist theatre operators

- 4.4 The options appraisal considered in detail the advantages and risks/disadvantages of each delivery model. It considered motive, financial risk, quality risk, commercialism, capital investment opportunities and tax advantages. It also assessed the potential market for the operation of the diverse services within scope.
- 4.5 The appraisal concluded that a newly established Not for Profit Distributing Organisation (NPDO) or contracting an existing NPDO would provide the best

balance of financial savings and social outcomes. The potential financial implications are summarised below:

Financial Savings	In House	New NPDO	Existing NPDO/Hybrid NPDO	Private Sector
Tax Advantages	None	Yes – both VAT & NNDR benefit	Yes – both VAT & NNDR benefit	None
	X	✓✓	✓✓	X
Commercial Income & Expenditure Savings	Difficult to deliver due to operating within Council framework and rules	Can deliver opportunities with freedom to deliver. Also attract external funding for charities	Can deliver opportunities with freedom to deliver.	Can deliver opportunities with freedom to deliver.
	✓	✓✓	✓	✓
Capital Investment Schemes	For each option this has potential to be the same opportunities	For each option this has potential to be the same opportunities	For each option this has potential to be the same opportunities	For each option this has potential to be the same opportunities
	✓✓	✓✓	✓✓	✓✓
Service Changes & Rationalisation	Can be delivered through this option	Can be delivered through this option	Can be delivered through this option	Can be delivered through this option
	✓✓	✓✓	✓✓	✓✓

- 4.6 Having reviewed the overall context within which the arts, culture and libraries service operates, there were a number of key factors to be taken into account, based on the Options Appraisal and previous work undertaken.

The appraisal highlighted that the development of a new NPDO would present the most cost effective and acceptable way of delivering future services, due to the following factors:

- Financial savings due to tax benefits and freedom to operate opportunities are likely to be similar to partnering with existing services
- Any surpluses are retained within the local area and services
- Local people will manage the business
- There is more flexibility to operate the service going forward through funding agreements

- 4.7 On concluding that the establishment of a new NPDO would offer the best balance of financial and social outcomes for the Council, a business case was developed. It was concluded as part of this business case that the innovative disability work based programmes of B-Leaf and Wood-B would also benefit from the NPDO model. Their synergy with the cultural offer led to their inclusion along with the exciting potential to increase opportunities for people with disabilities.

- 4.8 Establishing a new NPDO will achieve savings by 2017-18 of £633,000. This achieves the current total MTFs saving for both Cultural Services and Adult Social Care B-Leaf elements of £491,000 and £134,000 respectively.

4.9 The key principles of establishing a new NPDO are set out as follows:

Issue	Recommended Approach
Length of Term	<p>Management Agreement to be 20 years, with a review of the funding every 3 years (or at other times if agreed by both parties)</p> <p>Both lease and management agreement to be terminated if the other one is terminated</p> <p>The rationale for a 20 year term is to enable the NPDO to establish itself and seek funding over a long period, but also allow the Council the opportunity to vary the service if it changes its priorities.</p>
Delivery of Service	<p>The NPDO will be required to deliver to certain quality of provision, based on quality standards and Good Industry Practice.</p> <p>The NPDO will also be required to open for minimum opening hours and deliver a balanced programme of activities as well as provide a service development plan outlining how they will deliver the service. The Council will agree these, which can then be changed by agreement between both parties</p> <p>The Council will set out a series of core prices and programmes of use (such as certain bookings or events) which the NPDO will not be able to change without the Council's agreement.</p>
Use of Facilities	<p>The Council will have the ability to use the facilities for emergency rest centres, use of elections and meetings, for a hire charge.</p> <p>The NPDO will only be able to use the buildings for the existing use or similar uses. There will be prohibited uses which may bring the Council into disrepute, such as gambling, etc. . .</p> <p>Any change of use or building alterations will require the agreement of the Council.</p>
Termination	<p>Council can terminate or vary agreement, including partial termination (i.e. one or more facilities) with no fault. Any costs to be picked up by the Council.</p> <p>NPDO cannot partially terminate</p>
Building Maintenance	<p>Council responsible for structural maintenance and major repairs and replacement</p> <p>NPDO responsible for day to day repairs and planned maintenance</p>
Staff	<p>Transferred under TUPE – same terms and conditions</p> <p>Pensions transferred and NPDO to become admitted body. Assume pension transferred on fully funded basis and passed back on termination fully funded. Consideration as to whether the pensions are an open or closed scheme will be taken at</p>

Issue	Recommended Approach
	the next stage, taking into account the risks and costs for both the Council and the Trust
Support Services	The NPDO will determine whether they use Council support services or source the support from other providers.

- 4.10 An assessment of the various types of NPDO led to a recommendation that it is to be established as a Charitable Company Limited by Guarantee (CLG). Under a CLG the Council will recruit and establish a Board of Trustees of a maximum of eleven, comprising of two local authority member representatives, eight community trustees and one staff trustee. A structure of advisory groups can be established to secure local engagement on key areas of work.
- 4.11 An NPDO with charitable status has any surplus generated re-invested into the organisation and ultimately invested back to the benefit of the community and its activities. The ability to accumulate a reserve is critical to any business but above this surpluses against funded activity will be shared back with the Council thus increasing possible savings opportunities.
- 4.12 Establishing a new delivery vehicle presents a positive way forward for cultural services and some of the benefits are as follows:
- Single focus business
 - Economies of scale and expertise
 - Chance to harness community support
 - Draw down of external funding
 - BCBC becomes clear as to what it expects from the services
 - Better advocacy and celebration of the County Borough's cultural life
 - Future vision for integrated cultural hubs and modernised services
- 4.13 There are of course risks involved in any model and changing the delivery vehicle alone will not shield the new organisation from economic, financial and operational challenges. A Risk Register will be produced and monitored by the Project Board. Reducing the management fee by over £600k over three years will have to be accompanied by an accelerated modernisation programme, re-alignment of some service areas and a more commercial approach where appropriate.
- 4.14 It is critical that the Council approaches this arrangement positively and that the new NPDO is regarded as a key partner in the delivery of services and opportunities to the communities of the county borough and as such given every chance to succeed. Termed as the "Cultural Partnership Project" it emphasises the role of both parties in sustaining future cultural provision.
- 4.15 To support this approach the Council should consider developing a basis for its commissioning intentions for cultural services and in particular for the Library Services as a statutory area of service area.
- 4.16 In 2012 the Council adopted an Outcomes Framework by which to evaluate the progress of the Healthy Living Partnership and the management of its sports centres and swimming pools. The model has proved effective in aligning the annual intentions of Halo Leisure to the priorities of the Council against the originally agreed themes. It would be prudent to consider adopting a similar commissioning

approach for cultural services but this time ensuring greater alignment to the Corporate Priorities with flexibility should these also change over time.

- 4.17 **Appendix A** illustrates a draft Outcomes Framework for Cultural Services. The Framework is deliberately designed to allow for quantitative statistical evaluation as well as more qualitative, intrinsic evidence which combined, demonstrates the impact of cultural interventions on the lives of individuals and communities.
- 4.18 Alongside the Outcomes Framework, the new NPDO will be required to provide supporting evidence and narrative to the Council against the Welsh Public Library Standards, which is about to enter its fifth framework. The Council will remain the statutory body responsible for the library service, devolving management and service development to the new organisation. Any significant measures to change library services remains the Council's decision and as such ensuring there is a clear medium term strategic plan in place will only help facilitate change and provide clarity as to the direction of travel for the service.
- 4.19 The new Cultural Trust, in partnership with the Council, provides an optimistic future for the services in question at a time of financial uncertainty. Expectations however must be managed in light of the need to achieve financial outcomes, and a realisation that the adoption of a new model does not mean that services will stand still. Innovation, modernisation and efficiency will be at the forefront of the new organisation's agenda.

5. Effect upon Policy Framework & Procedure Rules

There is no effect upon Policy Framework and Procedure Rules.

6. Equality Impact Assessment

- 6.1 An Equality Impact Assessment will be undertaken alongside the business planning process. Therefore there is no EIA directly associated with this report.

7. Financial Implications

- 7.1 The MTFS sets out a minimum saving target for Cultural Services of £491,000 over the three years from 2015-16 to 2017-18. It sets out a minimum savings target of £134,000 for the Adult Social Care B-leaf and Wood-B programmes over the two years 2015-16 and 2016-17.

Financial Year	Target Saving (£'000's)
2015/16	208
2016/17	317
2017/18	100
Total Savings (by 2017/18)	625

- 7.2 Under the options outlined to Cabinet in January 2015, the only options which achieve these minimum savings requirements were Option 2 (reduction in current service provision) or the establishment of a new NPDO. The latter was approved because Option 2 would result in negative implications for the level and quality of

services that would be available, implications which would be avoided in the NPDO model.

- 7.3 The management fee projections are necessarily indicative and are based on the business case proposals and the current draft MTFS 'most likely' funding scenario. The provision of cultural services will continue to be reviewed annually as part of the Council's budget planning process.
- 7.4 It will be important that the Council works in partnership with a new NPDO and would act as a strategic commissioner of the services. It is anticipated that this will be absorbed into the current Communities Directorate structure with no additional cost to the Council. Day to day responsibility for the partnership will be delegated to the Corporate Director Communities. Commissioning priorities will continue to be set by the Council's elected representatives.

8. Recommendation

- 8.1 Committee note the report and the principles underpinning the establishment of a new NPDO for cultural services.
- 8.2 Committee consider the outline commissioning framework as the basis for evaluation and performance management.
- 8.3 Committee note that they will receive the draft library planning document for consideration.

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April 2015

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Background documents: