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## **Integrated Culture and Sport Trust Feasibility**

**Report by Corporate Transformation and Services Director**

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**Scottish Borders Council**

**7 October 2015**

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### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides Members with details of the outcome of dialogue with Borders Sport and Leisure Trust (BSLT) on the feasibility of an Integrated Culture and Sport Trust and seeks approval for the formation of an Integrated Culture and Sport Trust with BSLT.**
- 1.2 Council considered a report on 19 February 2015 on the Culture Trust, where an approach to joint working with BSLT to consider an Integrated Culture and Sport Trust was agreed including the terms of reference for the work. An update report was presented to Council in 25 June 2015.
- 1.3 A Reference Group made up of Elected Members and BSLT Trustees has met monthly between May and September 2015 to review proposals.
- 1.4 A Joint Officer Working Group has produced a report on the feasibility of an Integrated Culture and Sport Trust. This report shows that an Integrated Trust is feasible, offering a range of potential benefits. For the avoidance of doubt, this report uses the phrase "Integrated Trust". It should be noted that this term refers to BSLT (the limited charitable company) assuming the role of the provider of Cultural Services together with those existing services in respect to Sport.
- 1.5 The Joint Officer Working Group recommends that an Integrated Culture and Sport Trust should be established.

### **2 RECOMMENDATIONS**

- 2.1 **I recommend that Council:-**
  - (a) **Notes the findings of the feasibility report.**
  - (b) **Agrees to the formation of an Integrated Culture and Sport Trust with Borders Sport and Leisure Trust.**
  - (c) **Agrees that the Chief Executive, Corporate Transformation & Services Director and Chief Financial Officer in consultation with the Council Leader, the Deputy Leaders and Executive Member for Culture & Sport be authorised to work with BSLT to complete all necessary due diligence processes and develop the necessary agreements to facilitate the successful transfer to the Trust of the agreed services, facilities and staff with an anticipated go-live date of 1 April 2016.**

- (d) **Agrees that the proposed Performance Management Framework for BSLT (including for Community Centres) with effect from 1 April 2016 be brought back to the Executive Committee for approval no later than 8 March 2016.**
- (e) **Notes consultation with key staff and trade unions will continue throughout the transfer process along with appropriate engagement with key stakeholders and the community**
- (f) **Agree to recommend to the Community Planning Strategic Board to adopt the Integrated Trust as a CPP Partner, represented at Strategic Board level and on the Joint Delivery Team.**
- (g) **Agree to the continuation of the Member Reference Group to support the work required to 31 March 2016**

### **3 BACKGROUND**

- 3.1 On 27 February 2014 Council considered the output of a detailed options appraisal exercise and approved, in principle, the transfer of Cultural Services to a Trust.
- 3.2 On 20 November 2014 a report was presented to Council on the Culture Trust requesting time to investigate the feasibility of an Integrated Culture and Sport Trust before deciding to go ahead with a separate Culture Trust.
- 3.3 Creating an Integrated Trust by transforming the existing BSLT organisation rather than creating a new organisation was the only option considered in this most recent work because it builds on the experience and track record of BSLT and minimises disruption to customers and staff.
- 3.4 On 19 February 2015 Council agreed the terms of reference for joint working with BSLT to consider an Integrated Culture and Sport Trust. This included the setting up of a Joint Officer Working Group to carry out the feasibility exercise and a Reference Group consisting of a small number of Elected Members and BSLT Trustees to provide feedback on proposals.
- 3.5 An update report was presented to Council in June 2015 and a final report on feasibility, this report, was requested for October 2015.

### **4 FEASIBILITY STUDY APPROACH**

- 4.1 The feasibility study was undertaken jointly by officers from SBC and BSLT. The team worked closely with a Reference Group comprising six Elected Members from SBC along with two BSLT Trustees. Two of the Elected members are also BSLT Trustees.
- 4.2 The team consulted with:-
  - Other trusts in Scotland including those in Falkirk, Perth, South Lanarkshire, Renfrewshire and Highland.
  - EKOS (Economic and Social Development Consultants) who have wide experience of working with a number of trusts in Scotland
  - National Bodies including Sport Scotland, Museums and Galleries Scotland, Creative Scotland and the Scottish Library and Information Council.
  - The following teams within Scottish Borders Council/NHS:-
    - Community Learning and Development
    - Joint Health Improvement Team
    - Strategy and Policy team
    - Support Service teams including IT, Finance, Property and HR
  - BSLT Trustees
  - BSLT senior management team
  - SBC Service Directors
  - Cultural Services senior management team
  - Actuarial experts on pension implications
  - VAT experts on VAT implications
  - SBC legal team and BSLT legal representatives for legal advice
  - Trade Unions

## **5 GOVERNANCE OF AN INTEGRATED TRUST**

- 5.1 The issue of the appropriate control and ownership of an Integrated Trust by SBC has been discussed during the feasibility study. BSLT is an independent organisation owned by its own trustees. Procurement regulations do not prevent SBC from awarding a contract to the existing BSLT company to run Cultural Services.
- 5.2 Appropriate control of an independent organisation such as BSLT or an Integrated Trust delivering services on SBC's behalf is best managed through a robust partnership agreement, a strong Performance Management Framework, regular performance reporting and oversight against agreed outcomes. This ensures that the trust are given sufficient latitude to run their business appropriately, and maintain their independence which is a requirement for continued charitable status with the Office of the Scottish Charity Regulator (OSCR) whilst also allowing the Trust to be held to account by the Council for the services it is contracted to deliver.
- 5.3 A Performance Management Framework including Key Performance Indicators (KPIs) is currently being developed for the existing sport and leisure services in conjunction with BSLT, to be presented at Council's Executive Committee in November 2015. This will form part of the regular quarterly performance reporting to SBC's Executive Committee under each of the Council's Corporate Priorities, namely Priority 8 (Ensuring excellent, adaptable, collaborative and accessible public services) but also helps demonstrate progress against a number of other priorities in relation to young people, older people and communities.
- 5.4 Developing KPIs and monitoring performance for BSLT were recommendations in a SBC Internal Audit reports on Sports Trusts dated 11 April 2013 and again dated 16 September 2014. Management are aware of the need for effective processes for measuring and reporting on Sports Trusts' KPIs to ensure that the Council is able to evidence that it is securing value for money in the provision of these services and Audit will continue to follow-up implementation of these recommendations
- 5.5 If Council agree to the formation of an Integrated Trust, performance measures that include Culture would be established and presented to Executive in early 2016. Appendix 3 shows how the outcomes for an Integrated Trust relate to SBC Corporate Priorities and these outcomes would be key to agreeing appropriate measures.
- 5.6 Ownership of the Integrated Trust is not something that should be considered in relation to ensuring adequate performance of the Trust as there are already mechanisms in place to do this. Ownership is also not seen as a critical success factor for the effective establishment of an Integrated Trust.
- 5.7 There are however potential benefits to SBC owning an Integrated Trust itself as well as potential issues. Ownership of an Integrated Trust, for example under a single member trust structure, should therefore continue to be discussed between SBC and the Trust in the future.

- 5.8 Trustee make-up for an Integrated Trust was considered. The current board of BSLT has a variety of valuable governance skills which should be equally useful to an Integrated Trust. The Council has a duty to be satisfied that culture is well represented within the board of an Integrated Trust to ensure that it is given appropriate focus at board level and to assist the board in the management and governance of an Integrated Trust. There would therefore be an expectation that greater expertise in cultural services will be introduced to the board of the Integrated Trust over a relatively short period of time. One way this could be achieved is through recruitment to vacancies when trustees come to the end of their tenure.

## **6 POTENTIAL BENEFITS AND OPPORTUNITIES OF INTEGRATION**

- 6.1 During the course of the feasibility study it was recognised that there were a number of benefits that could be accrued through the creation of an integrated trust. As well as these benefits a number of opportunities were identified that could be available to an integrated trust. The details of these can be found in Section 9 of the feasibility report in appendix 1.
- 6.2 The specific benefits that would accrue to the organisation are broadly related to its increased scale. For example, the organisation could benefit from economies of scale associated with managerial and back office functions. In addition, it would immediately have a larger combined customer base. It would also have a greater number of physical contact points with customers, providing opportunities to deliver and promote its services. It could widen the range of services it offers to its customers and it would have a greater profile with the citizens of the Borders, Scottish Borders Council and other partner organisations.
- 6.3 Whilst an integrated trust would be significantly larger than the current Borders Sport and Leisure Trust it would remain sufficiently agile to respond to the needs and aspirations of its enlarged customer base.
- 6.4 An integrated trust would benefit from the previous experience of BSLT. This is considerable and the benefit here in placing Cultural Services within the trust should not be underestimated.
- 6.5 As part of an Integrated Trust Cultural Services would have a significant "voice" within an Integrated Trust as opposed to having an important but relatively small "voice" within SBC.
- 6.6 The feasibility study identified a significant number of opportunities which an integrated trust could take advantage of. These were broadly around opportunities that avoid duplication of effort and avoid direct competition between Sport and Culture activities. In addition, from officers' dialogue with partner organisations and other Trusts, there was significant emphasis placed on how an integrated trust can help in the attainment of local outcomes. The area particularly highlighted was the complementary fit between cultural and sporting activities in relation to how they can benefit the delivery of the Health & Wellbeing outcomes. As well as this positive effect on outcomes there were a number of opportunities relating to improved service delivery. Many of these opportunities would be of primary benefit to the users of each of the services, with secondary benefits to the organisation through increased membership, participation and user satisfaction.
- 6.7 Quantitative evidence from national indicators show integrated trusts reduced their cost per visit and increased attendance for sport and leisure. Additionally, transfer from Council to trust positively improved focus on service delivery (Falkirk Community Trust and Highlife Highland) however it hasn't been possible for either trust to quantify financial benefits associated with this.

6.8 During the course of the feasibility study it became apparent that whilst closer collaboration between BSLT and Cultural Services could provide a means to realise some of the opportunities identified, the fact that they have existed for some time and are acknowledged as not being fully optimised leads to a conclusion that some form of catalyst may be required to take full advantage of such opportunities.

## **7 SCOPE OF SERVICES**

7.1 All of the current Cultural Services business areas are recommended to be included in an Integrated Trust:-

- Libraries and Information Services (excluding Schools library service, run via Schools section)
- Museums and Galleries Service
- Archives and Local History Services
- Arts Development
- Heart of Hawick
- Public Halls
- Community Centres
- Admin and clerical support (NB not all staff will transfer. Some staff will be retained in SBC where the majority of their job is not supporting Cultural Services)

All of the current BSLT business areas are recommended to be included in an Integrated Trust:-

- Sports Development
- Active Schools
- All sports facilities
- All other staff including support services

7.2 Community Centres were consulted when SBC considered a standalone Culture Trust, and while they were broadly in support of retaining the levels of autonomy and decision making that they already had and were keen to maintain a link to SBC or to a successor Trust, there were concerns raised initially by a minority of Community Centre Management Committees. These concerns seemed to centre around uncertainty regarding the future financial arrangements and management autonomy of those community centres within a trust along with the working relationship and how it affected the current business model.

7.3 Officers believe that through effective partnership working between Community Centre Management Committees, the Integrated Trust and SBC that the autonomy of Community Centres can be preserved and that other concerns can be successfully managed.

7.4 The Joint Officer Working Group see Community Centres as a significant element in the delivery of a range of social and educational activities and will have an increasing role in delivering improved health and wellbeing outcomes for the citizens of the Borders. By being part of an Integrated Trust, the Community Centres and the Trust can better co-ordinate the overall activity programme. In addition, Community Centres offer presence in some areas of the Scottish Borders that BSLT does not currently have.

- 7.5 Community Centres should consequently form part of the Performance Management Framework to ensure that they are properly supported and able to assist in achieving the outcomes the Council require of BSLT. It is therefore recommended that this is considered when Executive consider the draft Performance Management Framework prior to 1 April 2016.
- 7.6 Dialogue with Community Centres on Integrated Trust feasibility where concerns can be discussed is planned for Tuesday 29th September and Council will be updated verbally on the outcome of this meeting on 7<sup>th</sup> October.

## **8 PROPERTY**

- 8.1 Property ownership would remain unchanged when creating an Integrated Trust. Property would be leased to an Integrated Trust on a peppercorn rent basis.
- 8.2 Discussions have taken place between SBC and BSLT on how property could be managed, but this would be finalised during negotiations with BSLT over an Integrated Trust.
- 8.3 Property is the greatest risk to an Integrated Trust. To mitigate this risk, a robust partnership, documented in the partnership agreement on property between SBC and the Trust would have to be taken.
- 8.4 The ability to prioritise maintenance is very important to BSLT and this would be a very important consideration in negotiations.

## **9 SUPPORT SERVICES**

- 9.1 There are a number of options for the provision of support services such as IT, Finance, HR and Property Management that give the Integrated Trust the control it requires. The detail of this may vary by service and will be developed in line with the partnership agreement.

## **10 SBC PRINCIPLES**

- 10.1 SBC will have a number of principles that it will want to include in the partnership agreement with the Integrated Trust. The point to raise these would be during discussions over the partnership agreement. Aspects that would be discussed would include, for example, free museum entry, access to People's Network PCs in libraries.

## **11 HERITAGE COLLECTIONS**

- 11.1 Heritage collections would remain the property of the council (or the relevant common good fund) with a management agreement being put in place between SBC and the Integrated Trust.

## **12 COMMUNITY PLANNING PARTNERSHIP**

- 12.1 There is a requirement under the Community Empowerment Act to have sport and leisure as statutory partners. Sport Scotland is the statutory partner. Para 6.6 above sets out clear potential benefits that could accrue from an integrated trust in delivering the Partnership's priorities. In order to ensure this happens in a planned and coordinated way it is recommended that BSLT becomes a Partner at Strategic Board level within the CPP. This is a matter for the CPP Strategic Board to agree but one on which the Council can make a recommendation. It is therefore recommended that the CPP Strategic Board be asked to adopt BSLT as a CPP Partner, represented at Strategic Board level and on the Joint Delivery Team. Discussions will also take place to establish if it is appropriate for the Integrated Trust to take on the Statutory role re sport.

## **13 NEXT STEPS**

- 13.1 If BSLT and SBC agree to pursue integration, then detailed planning and implementation will take place between the two organisations.
- 13.2 Officers have looked at the way other organisations have approached this and took cognisance of the planning that took place for the possibility of a Culture Trust within SBC. Officers have also considered the extensive experience gained in 2014/15 and lessons learned in setting up SBCares.
- 13.3 The proposed approach is to run a partnership agreement / contractual workstream in parallel to an implementation activities workstream. This is because the detail of the implementation activities is required to fully inform the discussions. For example, the decisions on how IT will be provided and managed will influence the cost of this support service and subsequently the funding to BSLT.
- 13.4 Appendix 2 shows an outline of the work-streams that would be part of transition.
- 13.5 Officers anticipate a go-live date of 1 April 2016, subject to successful partnership agreement between BSLT and SBC. The aim would be to have an Integrated Trust up and running in its initial form with staff and property transferred by this date with an initial set of support services to support an Integrated Trust.
- 13.6 The Member Reference Group has been very valuable in supporting the recent work. It is therefore recommended that the Member Reference Group is continued through the next phase of work to ensure that matters of importance to the Council can be tested appropriately and in particular to ensure that the Performance Management framework is appropriately considered prior to Executive.

## **14 RISKS AND MITIGATIONS**

- 14.1 There are risks in an integration of this scale. There are inevitable risks in an integration of this scale and a detailed risk register has been prepared with mitigations identified where possible. The risks identified emphasise the need for strong leadership, a robust sustained programme of change management to form and embed a new consistent organisational culture and effective partnership working to make the integration successful. A full risk commentary can be found in section 11 of Appendix 1.

## **15 IMPLICATIONS**

### **15.1 Financial**

- 15.1.1 The budget set for Cultural Services and approved annually as part of the Council's financial planning process would be transferred to the Trust alongside the Services it is designed to fund. The budget will be based on the current service delivery less agreed savings in future years.
- 15.1.2 The financial budget for 2016/17 will be approved in February 2016 following discussion with the Trust. For the avoidance of doubt future budgets will be subject to negotiation and revision and the Trust will be expected to contribute a reasonable share of financial savings in line with the finite resources available to the Council and agreed spending priorities.
- 15.1.3 It is not possible to identify the full and final financial implications of integration at this stage as it is subject to partnership agreement between SBC and the Trust. It is anticipated that if the feasibility report is accepted then detailed partnership discussions would take place on key items such as:-
  - Service budgets
  - Support services provision



- One off set-up costs
- Property maintenance and capital costs
- Ongoing costs

What is clear is that a partnership approach will be required to find the best way forward, and if this approach is adopted there is confidence amongst officers that the Integrated Trust can be created within the resources available to the Council and BSLT.

## 15.2 **One-off setup costs**

The level of one-off costs required to setup an Integrated Trust are not seen as a barrier. One off costs will be around £140,000 and are shown below. Effort will be made to utilise resources and experience within SBC and BSLT where appropriate to reduce or eliminate costs.

<b>Item</b>	<b>Cost</b>
Staff lanyards/ID card for new company	£5,000
Marketing	£15,000
Legal costs	£10,000
Website changes	£10,000
Limited initial IT changes for integration	£5,000
Staff backfill during implementation	£30,000
Contingency	£30,000
Contribution to new finance/payroll system	£35,000

## 15.3 **Recurring costs**

The following recurring costs have been identified. There may be other costs that come up during partnership discussions and these will be managed during the implementation process to find a solution within current Council budgets.

<b>Item</b>	<b>Cost</b>
VAT costs of integration	Between 0 and £25,000
Pension costs of integration	Between £29,000 and £163,000
IT recurring costs for email, file sharing	£5000
Contribution to recurring cost of new finance/payroll system resulting from integration	£25,000

Arrangements will be made within SBC on how the contract with the Integrated Trust will be monitored. Resourcing of this post will be discussed during partnership discussions. Overall budgets are not expected to increase to fund this.

#### 15.4 **Recurring savings**

Projected non-domestic rates savings from transferring Cultural Services properties to a charitable organisation are currently estimated at £385,000 per annum. From this £385,000, a saving of £276,000 per annum is already reflected within the Council's five year financial plan. This leaves £109,000 which will be utilised in part or in full for recurring costs noted above.

#### 15.5 **Final Financial Position**

The aim is to have a final financial position as part of the 2016/21 budget setting considerations for Council scheduled for 11 February 2016

#### 15.6 **VAT**

Advice has been sought and received from external consultants on the VAT implications of integration. The VAT implications are dependent on discussions with the trust on certain matters such as whether a 'serviced lease' model is used, and if profits from a particular area of the business are reinvested in that area. Depending on the result of these discussions, the VAT impact would range from a small saving to an annual £25K cost. On-going specialist VAT advice will be required to ensure the most effective VAT structure is adopted.

#### 15.7 **Capital Funding Arrangements**

BSLT currently have a £250K per annum capital allocation for their properties. Discussions will take place on Capital spend for Cultural Services properties and an agreement reached.

#### 15.8 **Property Planned and Reactive Maintenance Costs**

It is anticipated that a sum would be transferred to the integrated trust to form their planned and reactive revenue maintenance budget for the Cultural Services properties. This would cover the essential maintenance of assets experiencing breakdown, failure, vandalism or weather damage, or maintenance that is necessary to meet an urgent business need. This would be subject to partnership agreement.

#### 15.9 **Pension**

Actuarial advice has been taken on the pension implications of creating an Integrated Trust. Different options were assessed and the implications of these have been considered by SBC officers. Areas considered included the equality impact on staff, staff turnover, the impact on the council's Pension Fund arrangements and any potential underwriting arrangements. This is detailed in section 8.8 of the feasibility report in appendix 1. The financial impact to BSLT of the two options available range from £29K to £163K per annum. This would need to be funded and may require additional savings to be made.

#### 15.10 **Equalities**

A full equalities impact assessment has recently been undertaken.

#### 15.11 **Acting Sustainably**

Acting Sustainably. The purpose of this investigation is to produce services that can be made resilient and sustainable.

**15.12 Carbon Management**

Cultural Services manage a significant proportion of the Council’s operational facilities (in 2008, Cultural Services managed 10% of the total Council estate; 10% of the value, 8.6% of the number of assets and 10.8% of the gross floor area). Consideration will be given to how the carbon footprint of the Council might be reduced by collocation of services in a Trust.

**15.13 Rural Proofing**

A rural proofing assessment was undertaken for the February 2014 report. There is nothing in the content of this report to change the view that the rural reach of services is better protected by transferring services to a Trust. Another rural proofing assessment will be completed before this report is presented to Council in October.

**15.14 Changes to Scheme of Administration or Scheme of Delegation**

The Council’s scheme of administration and delegation will require amendment when a Trust is operational.

**16 CONSULTATION**

16.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR, and the Clerk to the Council have been consulted and their comments have been incorporated into the final report.

**Approved by**

**Rob Dickson  
Corporate Transformation  
and Services Director**

**Signature .....**

**Author(s)**

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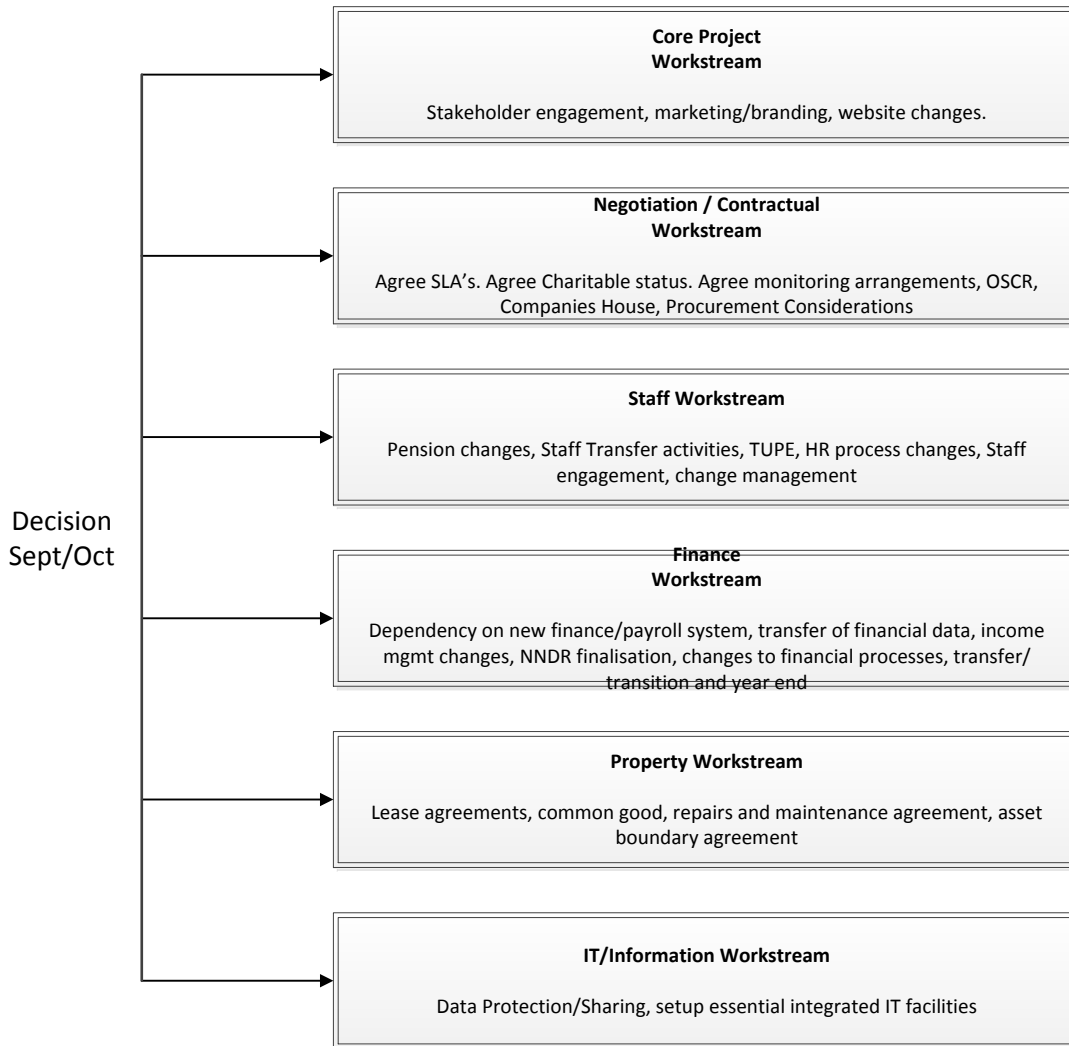
**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Cultural Services Team can also give information on other language translations as well as providing additional copies.

Contact Stephen Roy, Project Manager, Scottish Borders Council, Council Headquarters, Newtown St Boswells, TD6 0SA, telephone 01835 824000.

APPENDIX 1 – FEASIBILITY REPORT

Latest version of feasibility will be included.

## APPENDIX 2 : PROPOSED IMPLEMENTATION WORKSTREAMS



## APPENDIX 3 : PERFORMANCE MANAGEMENT FRAMEWORK

