

ABERDEEN CITY COUNCIL

COMMITTEE	Education, Culture and Sport
DATE	7th June 2012
ACTING DIRECTOR	Patricia Cassidy
TITLE OF REPORT	Future Delivery of Cultural Services
REPORT NUMBER:	ECS/12/026

1. PURPOSE OF REPORT

As part of the Budget decisions for the 2011/12 financial year, officers were instructed to assess the appropriateness of the Museums and Galleries Service “moving to a cultural trust” to effect savings throughout the third year onwards of the Five Year Business Plan. The Committee agreed at its meeting in March 2011 that this work be undertaken through an options appraisal, and include the related budget decision in respect of catering services managed by Education, Culture and Sport (catering in Museums and Galleries, and the Beach Ballroom).

Using the corporately procured partner for the implementation of a number of budget-led decisions, KPMG, the options appraisal has now been concluded. Officers received a briefing on the findings on 6th February. The final report has now been received.

2. RECOMMENDATION(S)

1. To note the findings of the KPMG Strategic Outline Case, in particular that the projected recurring annual savings would be less than the required PBB savings identified by the Council.
2. To instruct officers to continue discussions with partners as to the viability of more formal arrangements to delivery cultural services in the city, including the undertaking of a joint options appraisal.
3. To instruct officers to report to a future meeting of the Committee on the outcome of the discussions and appraisal.

3. FINANCIAL IMPLICATIONS

3.1 The savings from PBB were £229,000, calculated on the potential savings to be achieved from the reduction in the Non Domestic Rates liability for both Museums and Galleries, and the Beach Ballroom.

3.2 The sum of £250,000 has been budgeted in 2011/2012 and was included in the Service Options ECS C_3 and £100,000 in ECS C_22, in order to cover the costs of externalisation, which includes the options appraisal, and all the necessary legal and financial work required on the part of the Council to manage the move to an arms-length body. Further work can be funded within the sum still available.

4. OTHER IMPLICATIONS

Legal and policy context:

Local Authorities have a wide-ranging statutory role to ensure cultural provision.

The specific legislation relating particularly to museums includes:

- The Public Libraries Consolidation (Scotland) Act 1887, Section 10, gives local authorities power to purchase, rent or construct libraries, museums and galleries, and to maintain and furnish those buildings. Section 21 gives authorities power, amongst other things, to purchase books, works of art, maps and other articles, to lend out books and other items and preserve and sell books and other items. The Act also requires local authorities to *"manage, regulate and control all libraries or museums or galleries"* and creates restrictions as to how they may charge for these facilities.
- The Local Government and Planning (Scotland) Act 1982; Sections 14 to 17. Section 14(1), as amended by Section 128 of the Local Government etc. (Scotland) Act 1994, places upon local authorities a duty to *"ensure that there is adequate provision of facilities for the inhabitants of their area for recreational, sporting, cultural, and social activities"*.
- The Local Government etc. (Scotland) Act 1994, Section 53, requires local authorities to make *"proper arrangements"* for the preservation and management of their records, in consultation with the Keeper of the Records of Scotland. Section 54 addresses the use, acquisition and disposal of records (which will include culturally significant archives). Section 54(1)(d) in particular gives authorities power to hold exhibitions of records and conduct lectures about them.
- The Local Government in Scotland Act 2003 deals with arrangements for Community Planning, which embraces planning for cultural activities. The Act also places a duty on local authorities to achieve Best Value, to initiate and facilitate community planning and gives them the power to advance community well-being (section 20) in the context of Community Planning.

The Implementation of the *National Cultural Strategy: Guidance for Scottish Local Authorities* acknowledges that the "legislation is vague in relation to the principal statutory duties and powers". It further advises local authorities to meet their statutory responsibilities by:

- Preparing an authority-wide cultural strategy and action plans
- Ensuring the strategy and plans meet reflect the cultural needs of its area

- Create a supportive infrastructure, providing adequate facilities for cultural, sporting activities etc in line with statutory responsibilities
- Provide services, either directly or by commissioning them from voluntary or private sector bodies
- Contribute to the strategies and plans of other bodies, acting in partnership.¹

In addition, Museums Galleries Scotland has a sector-specific *Quality Improvement System for Museums and Galleries* and the Scottish Government has introduced a quality improvement framework, *How Good is Our Culture and Sport* – developed to help the government and local authorities, and others engaged in making provision for culture to self-evaluate the provision with regard to quality and inclusiveness.

5. BACKGROUND/MAIN ISSUES

KPMG were contracted to undertake the options appraisal and officers provided an update report to Committee in February. At that time, a draft report had been received from KPMG, and their final report has now been received. The update to Committee reported that the options appraisal would be realised as a Strategic Outline Case as a result of KPMG’s findings and as detailed below.

The KPMG Executive Summary is included below:

“Introduction

Aberdeen City Council (ACC) is seeking to deliver better and greater levels of service from a lower resource base. Consequently the Council’s Directorates have been investigating alternative delivery models (ADMs) that allow both greater commercial flexibility and enable the delivery of the Council’s priorities and objectives.

In this context, the Council has been exploring the potential service and financial benefits which could accrue from an alternative means of delivering a range of cultural services that in the main are currently managed by the Directorate of Education, Culture and Sport.

ACC has commissioned KPMG to advise on:

- a) Which Council services, in addition to the Museums and Galleries Service, should be included in the scope of any arms-length organisation;
- b) The merits or otherwise of the Council creating an arms-length organisation for the delivery of cultural services – including a qualitative and quantitative assessment of costs, benefits and risks;
- c) The most appropriate governance arrangements for the arms-length organisation, including the possibility of community ownership of assets (e.g. a Social Enterprise or Community Interest Company; a Company Limited by Guarantee; an Industrial and Provident Society; a Scottish Charitable

¹ Implementation of the National Cultural Strategy: Guidance for Scottish Local Authorities, March 2003.

Incorporated Organisation) and contracting out delivery of service, along with integration within any of the existing City Council Trust structures;

d) The viability of any new body, or other partnerships envisaged, including its ability to reduce its dependency on the Council over a period of time; and,

e) Whether the Council should retain ownership of the collections held by Museums and Galleries, and any other relevant collections.

...This document represents the final deliverable for the engagement. It is presented as a Strategic Outline Case and covers the case for change, an analysis of a range of options available and the indicative financial and non financial benefits which may be gained. “

“Findings

Our findings are as follows:

- An ADM for cultural services has strong alignment with both the Council’s and other organisations’ business strategies and there is a strong case for change.
- Our recommendations are that in addition to the Museums and Galleries Service (including catering), the Beach Ballroom; Arts Development; Arts Education; Citymoves; City Archives and the Libraries and Information services should be included within the scope of an ADM for cultural services.
- Following evaluation of a long list of options, a new Arms Length External Organisation (ALEO) for the in-scope culture services was deemed to be the preferred option. It was therefore agreed to further investigate the option of an ALEO for cultural services.
- A preliminary cost-benefit analysis, undertaken on an incremental basis (i.e. considering those items of income and expenditure which are likely to change as a direct consequence of the creation of an ALEO) suggests that the creation of an ALEO for the in-scope cultural services would realise a recurring net financial benefit of £44,800 from the second year of operation. The net present value of the benefit over the first five years is £67,297. The recurring net financial benefit of £45,800 is less than the figure included in the PBB assumptions (£229,000). Therefore, to achieve the PBB targets other changes to the operation of cultural services within the ALEO to either reduce operating costs or increase income would be required.
- Non-financial benefits include an improvement to outcomes as a result of the additional focus and specialism a sector specific organisation can bring; the potential to recruit a Board that can increase business opportunities and community involvement; the potential to bring in additional professional expertise; the potential for decisions to be quicker and more reactive to the needs of the business, and the creation of a new organisational ‘mindset’ that encourages and rewards entrepreneurial approaches. In addition, there is also the role that an ALEO may play in contributing towards a number of social and economic outcomes within the City.
- Our recommendation for the most appropriate governance arrangement for the Culture ALEO is a Company Limited by Guarantee with charitable

status. The Council has used this form of corporate structure previously in the context of ALEOs and is therefore familiar with the structure.

- The viability of the ALEO will be dependent on strong leadership; having the right balance of skills and experience for the efficient and effective administration of the ALEO; a strong business plan and risk management strategy; the ability to generate extra income from trading; access to external funding and continuously seeking to improve performance and efficiency and learn new and better ways of delivering activities.
- We recommend that the Council retains ownership of the collections, rather than transfer them to an ALEO. The Council and the ALEO can enter into a collections agreement to permit the ALEO to make use of the collections in the provision of its services and to oblige the ALEO to maintain and conserve the collections on the Council's behalf. "

“Overall Summary

The case for change is more convincingly made with regard to the instrumental effects a Cultural ALEO may have in terms of improved service provision and in the ability to address some of the long standing challenges identified by consultees, such as the need for more effective collaborative networks and coherent strategic delivery across several services and agencies.

The economic case is less compelling in terms of direct savings made by ACC, however it is worth noting the consequent additional economic impact to the City that might arise from strategic cultural planning that focuses on, for example: arts graduate retention, creative industries development and using the cultural offer to market the city-region to visitors.

The City of Culture (CoC) bid 2017 was cited by many as an opportunity to advance the creation of a new ALEO, however we are clear that the benefits of the CoC bid and a new ALEO are not synonymous – rather the CoC bid could be seen as a means to catalyse the creation of an ALEO should it be acknowledged that such a vehicle would be in the long term interest of cultural service delivery in the City.”

The Executive Summary from the Report by KPMG is in the Members Library.

While carrying out the options appraisal, KPMG met with a number of the Council's partners, some which it supports financially and some with whom it works on an ongoing basis. As a result, they found that there was interest from a number to explore possible more formal arrangements, to either include aspects of the Council's cultural services, or to establish a new body to include both services which they operate, with those of the Council.

Officers have begun to ascertain the willingness of these organisations to make public their interest and also to jointly discuss what proposals might have merit to investigate in more detail. These organisations will require to undertake their own internal decision-making. To ascertain the viability of any different formal arrangements a specification for an options appraisal will be agreed and work carried out by KPMG, within the terms of their contract with the Council.

Funding for the work is available from the budget already agreed for the project and the Council will pay an equal share with the other organisation(s) also involved. The recommendations instruct officers to continue these discussions in order to be able to report back to Committee as soon as possible.

6. IMPACT

The report relates to Outcome 13 in the Single Outcome Agreement, 'We take pride in a strong, fair and inclusive national identity'. Museum collections are held in trust for all of society.

The report also relates to the key aims set out in the Arts, Heritage and Sport strand of the Community Plan, in particular:

- To encourage access to and participation in the City's cultural life
- To support cultural activities which have a positive impact on the social, economic and cultural development of the City
- To strengthen support for and ownership of the city's distinctive cultural character

The report is consistent with the City's cultural strategy, 'Vibrant Aberdeen' as the proposals seek to increase community engagement in cultural activity, to improve the city's cultural profile and through working with partners to increase investment in cultural activity.

This report is likely to be of interest to the public as it includes a number of key and unique city centre institutions (in particular, the Art Gallery and the Maritime Museum) with local heritage, national and international profiles.

The proposal is likely to have a neutral affect on most citizens; the perception of the issues highlighted above potentially having a negative impact on the *Older* and *Others (Poverty)* equalities target groups will be positively dealt with within the options appraisal and other work.

7. BACKGROUND PAPERS

Future Delivery of Cultural Services, Strategic Outline Case, Final Report, KPMG, April 2012
Report to Council 10th February 2011, Revenue Budget
Report to ECS Committee 24th March 2011, "Move to a Cultural Trust"
ECS Committee Information Bulletin February 2012

8. REPORT AUTHOR DETAILS

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