

## ABERDEEN CITY COUNCIL

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COMMITTEE: **Education and Children's Services**

DATE: **2 December 2014**

DIRECTOR: **Gayle Gorman**

TITLE OF REPORT: **Future of Citymoves**

REPORT NUMBER: **ECS/14/055**

CHECKLIST COMPLETED **Yes**

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### 1. PURPOSE OF REPORT

At the ECS Committee in June 2014 it was agreed:

- (i) in principle that Citymoves becomes an independent organisation;
- (ii) that the business and transition plans are developed and that the funding application to Creative Scotland be submitted;
- (iii) to receive a further report with recommendations following the outcome of the funding bid to Creative Scotland.

This report informs the committee of progress and the outcome of the Creative Scotland core funding application for Citymoves. It also seeks approval to action the transfer of Citymoves to form an independent organisation working to a target date of 1 April 2015.

### 2. RECOMMENDATION(S)

Following the completion of the business and transition plans, that the Committee agrees:

- (i) to action the transfer of Citymoves to an independent organisation working to a target start date of the new organisation of 1 April 2015;
- (ii) to set up the shadow board as a requirement to effect the transition;
- (iii) for officers to action the set up of Citymoves as a Scottish Charitable Incorporated Organisation (SCIO);
- (iv) to instigate the recruitment process for the role of Director for the new organisation with a target start date of 1 April 2015.

### 3. FINANCIAL IMPLICATIONS

The proposed future financial support from ACC is based on the current levels for Citymoves as a Council service, based on revenue costs including staff and running costs. In 2014/15 this represents a total of £181,370.

In addition to this, Citymoves historically has received an annual grant in the region of £70k towards revenue costs from Creative Scotland. An application was submitted to Creative Scotland in July this year for the next three years of regular funding. The bid was successful in securing £300k for the financial years 2015-2018 (£100k per year).

Creative Scotland's funding includes an annual contribution to the DanceLive Festival as part of the revenue grant. Council funding for DanceLive is currently on a three year development grant basis of £20k per year; the final year of this is 2015 at which point Citymoves SCIO would need to apply again on a one year or three year cycle. The Council may wish to consider following the Creative Scotland approach and include an additional amount of funding for DanceLive in the annual contribution.

There are further financial implications in terms of one off transition costs to an independent organisation, estimated at £38k, plus a £10k contingency.

Development/refurbishment of spaces at Rosemount Learning Centre as an office base and second studio space is estimated at £52k. The majority of this would be applied for via a Small Capital Grants scheme at Creative Scotland and other funding avenues will be explored.

Service level agreements between Citymoves and the Council will be agreed annually, managed by the Cultural Policy and Partnership team alongside other external cultural organisations.

#### **4. OTHER IMPLICATIONS**

##### **Legal Implications**

There are governance implications for the set up and functioning of the new organisation. Legal services have led the process of preparing the submission to OSCR for Citymoves to become a Scottish Charitable Incorporated Organisation (SCIO) and the required constitution. Confirmation of the shadow board is required before the submission to OSCR can be made. The turn around time from OSCR is 90 days.

Further detail of the proposed governance for Citymoves, including Board structure and membership, is described below at 5.

##### **Resource Implications**

Further officer time from Culture, Finance, Legal, HR and Asset Management will be required to effect the transition of Citymoves to an independent organisation. It should be noted that this is a small scale transfer in comparison to similar previous exercises.

### **Personnel Implications**

The existing staff of 4 will be transferred under TUPE with their current terms and conditions. A new job profile for the vacant role of Director has been written and is currently with HR for evaluation. The recruitment process will be undertaken using the Council framework and will involve the shadow board. The new Director will be an employee of the new company from the outset.

The post of General Manager has also recently become vacant; recruitment to fill this will follow the same process as for the Director and new employee/s will also be employed by the new organisation.

Further detail on staffing for Citymoves is described below at 5.

### **Property Implications**

The Business Plan for 2015-2018 is predicated on Citymoves having a second dance studio space to increase its class provision and generate additional income. Studio and office spaces at Rosemount Learning Centre have been costed by Asset Management indicating this is a viable option for the new organisation within projected budgets. The current studio space and office at Triple Kirks would be maintained subject to agreeing the finer detail of use, maintenance and repair between the Council and the Shadow Board.

Further detail of accommodation needs and costs for Citymoves is described below at 5.

## **5. BACKGROUND/MAIN ISSUES**

In June 2014, the ECS Committee gave approval in principle for Citymoves to transfer out of the Council and become an independent organisation. Since June, officers have continued to work with external consultants Bonnar Keenlyside (BK) to write a three year business plan (2015-2018) which was submitted with the grant application for 3 years of core funding to Creative Scotland. In addition BK have worked with council officers to produce a transition plan incorporating financial, legal, staffing and premises implications. This transition plan forms the basis of this report.

### **Governance**

The proposed charitable objectives for the new SCIO are:

To advance the arts, heritage and culture and in furtherance of this by:

- (i) The promotion and development of the art of dance in all its forms  
and
- (ii) The provision of classes, workshops, projects and performances.

There will be 9 – 11 board members/trustees, to a maximum of 12, recruited to achieve a balance of skills, networks and diversity. The board will be recruited through an open process and applications considered against clear terms of reference. There will be a representative of ACC on the board. It is suggested

that this representative be the Convenor of the relevant council committee, currently Education and Children's Services.

The first members of the SCIO will be the shadow board set up to lead the transition. The chair of the shadow board is confirmed as Frank Doran MP and Prof. Rita Marcella, Dean of Faculty, Aberdeen Business School (RGU) is also confirmed. A third member of the shadow board is still to be identified.

Citymoves SCIO will be the receiver of staff and undertakings (TUPE) from ACC.

In order to achieve a smooth transition, ACC finance, legal, HR and asset management teams will provide support, oversight and assistance for a period 12 months, with possible extension following a review part way through the organisation's first year.

### **Staffing**

It is intended to transfer the current employees of Citymoves on their current terms and conditions to Citymoves SCIO on 1 April 2015, following a period of consultation led by ACC HR.

In order to protect the pension benefits of the current ACC employees upon transfer to the new organisation, Citymoves will apply to the North East Scotland Pensions Fund NESPF for status as a Transferee Admission Body with effect from 01/04/2015. In accordance with the NESPF Admissions Policy (Draft), as a Transferee Admission Body, Citymoves will be established on a fully funded basis at the point of transfer. ACC will provide a guarantee in the event of termination of the scheme. The pension will be closed to new members at point of transfer. Finance Officers are confirming pension terms in the event of all current employees leaving Citymoves SCIO at some point in the future.

Citymoves SCIO will, in the first instance, contribute to the pension of new employees at a rate of around 5%, as opposed to the current rate applied by ACC in superannuation, at around 19.5%.

New employees will be recruited on terms and conditions set by the board of Citymoves SCIO. These will relate to the rates and conditions in similar, small and ambitious arts organisations in similar contexts and will take into account the high costs of living in Aberdeen and the rates paid to staff currently.

The first post will be that of Director, who will lead Citymoves as Chief Executive reporting to the board, leading internally and externally and playing a key role in the cultural life of the City and North East. It is proposed the post is advertised immediately following Committee approval with a closing date in early January with the aim that the Director takes up the post on 1 April 2015, contracted by Citymoves SCIO. This will be closely followed by the recruitment process to fill the vacancy left by the departure of the General Manager. The role is being reviewed to ensure the appropriate business, financial, organisational development and marketing skills required of an independent organisation are reflected in the job profile/s.

## **Accommodation**

Citymoves currently occupies premises at Schoolhill which are leased to ACC long-term at a peppercorn rent. These premises are not sufficient for Citymoves to achieve its business plan and it requires a second studio facility where it can run a range of regular classes throughout the year including evenings and weekends and office space. In the long term, this may lead to the creation of a new home for Citymoves which contains several studios.

In the medium term, it is planned to occupy the current premises at Schoolhill and, in addition, develop the class programme and provide office space for the team through leasing an office space, the gym and ancillary spaces at Rosemount Learning Centre. These facilities require some fitting out and refurbishment including:

- access ramp
- renovating floor, walls, ceilings and showers
- lighting, security and sound systems
- specialist equipment including dance floor, mirrors, dance barres, storage and equipment
- office equipment.

The costs of this project are estimated at £52k to be part funded by an application for a small capital grant from Creative Scotland and/or other external grant sources.

Asset Management have proposed a five year arrangement for the spaces at Rosemount with an annual rent of £10k per year plus £6k for services. This would be offered on the basis of Citymoves undertaking improvement works to the space.

For the Schoolhill site, Asset Management have proposed the gradual movement of maintenance costs over a five year period based on the average annual costs from the last 3 years of £10k per annum.

YEAR 1 ACC £10,000

YEAR 2 Citymoves pay first £2,500, ACC £7,500

YEAR 3 Citymoves pay first £5,000, ACC £5,000

YEAR 4 Citymoves pay first £7,500, ACC £2,500

YEAR 5 Citymoves £10,000

Internal repairs will be the responsibility of Citymoves for the full 5 year period, ACC will ensure the facility is wind and water tight and kept within legal requirements. Cost of services (electricity etc.) will be covered by Citymoves.

The Council currently pays a peppercorn rent of £1 per year for the Triple Kirks facility. It should be noted that the market value of the space is in the region of £15k per annum and that this therefore represents an additional benefit of subsidised rent / a contribution in kind from the Council to Citymoves .

The detail of licence to occupy both premises will need to be agreed in advance of transfer.

## Finance

The financial projections for Citymoves SCIO have been produced as part of the business plan which was submitted to Creative Scotland.

The financial support from ACC requested is based on the same levels as have been currently provided in the core annual support for Citymoves, including salaries, superannuation and employers national insurance payments. The annual DanceLive Festival currently has a three year development grant of £20k per year from Cultural Awards. The last year of this agreement will be 2015 at which point Citymoves SCIO would need to apply again on a one year or three year cycle. The Council may wish to consider including an additional amount of funding for DanceLive in the annual contribution.

The financial support from ACC relating to the existing premises are detailed above. It is anticipated that ACC will continue to assist in areas such as financial accounting systems, payroll services and HR support for the first 12 months from April 2015.

Citymoves will not be registered for VAT in the first instance. When it begins to run its second space, CM will cross the VAT threshold and will need to be registered for VAT. Similar organisations often reach an agreement with HMRC to fix a percentage for partial VAT exemption. Further advice will need to be taken when the second studio is operating.

A total of £48k has been estimated for the costs of transition, including £10k contingency. This cost can be covered out of funds previously allocated for the Cultural Trust exercise.

In addition £52k has been estimated to develop and equip spaces at Rosemount for a second studio space and office accommodation. A Small Equipment Grant, up to a maximum of £50k, is identified as the potential source of funding for this.

<b>Transition Costs</b>	
IT and software systems	£23,000
Legal and professional fees	£4,000
Stationery, admin, miscellaneous	£5,000
Phone and office facilities	£6,000
Contingency	£10,000
<b>TOTAL</b>	<b>£48,000</b>

## **Timescales**

Key dates for the transition of Citymoves to a SCIO are as follows:

Shadow Board established	Nov-Dec 2014
SCIO submitted to OSCR	Nov-Dec 2014
SCIO approval (90 days)	Feb-March 2015
Recruitment period for Director	Dec 2014- Feb 2015
Start date of new Director	1 April 2015
Establishment of new SCIO and transfer of existing staff	April 2015

The future of Citymoves has been under consideration for at least 18 months. The lead role of Director has been held vacant until the completion of the Options Appraisal and now, following the recommendations it made, until the new company can be established. The vacancy has caused additional workload for employees within Citymoves and managing officers. It is crucial that a new Director is appointed as soon as possible to take up lead responsibilities, maintain the momentum and support staff through the transition. This makes the set up of the SCIO time sensitive in order that the shadow board can employ the organisation's first employee.

## **6. IMPACT**

Through the options appraisal for the future of Citymoves it became clear that the organisation can most significantly contribute to the city's cultural aspirations, to the Community Plan and to Aberdeen's Cultural Strategy as an independent organisation. The new Director will be invited to join the Cultural Network and other local networks and working groups to ensure dance as an artform and Citymoves as an organisation, are significant contributors to local priorities across the areas of culture, health and wellbeing and education.

## **7. MANAGEMENT OF RISK**

The major risks to this project relate to:

- Business viability: premises and finance
- Governance and staffing

The main risks, impact and mitigating actions are tabled below. Risks overall will be mitigated through good planning, governance and transitional support from ACC property, HR and finance teams.

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigating Action</b>
Delays from OSCRC re the SCIO submission	Low	Medium	
Failure to achieve second studio space at Rosemount	Medium – current delays to project	High – loss of revenue	seek alternative options if continued lack of progress regarding Rosemount
Failure to achieve income targets for studio classes	Low – robust planning in context of market demand and comparators	Medium	strong planning and marketing systems
Failure to achieve income targets for projects	Low – evidence of demand from funders and commissioners which CM does not take up	Low – projects will not happen	
Trading deficit/ insolvency	Low	High	Transition fund from ACC allows for contingency and build up of modest reserves  Transition support from corporate asset, finance and HR teams in ACC
Governance – failure to attract skills and experience on board	Low – shadow board will be led by Frank Doran	Medium	Proactive recruitment
Staff – failure to attract suitable director	Low – attractive and high profile role, reasonable salary	High	Use of dance and cultural networks to advertise the opportunity
Staff – loss of DDOs	Low – team committed to transition plan and new Director	Medium	

## 8. BACKGROUND PAPERS

- Citymoves Dance Agency Transition Plan  
October 2014 (BONNAR KEENLYSIDE)
- Citymoves Options Appraisal Final Report  
March 2014 (BONNAR KEENLYSIDE)
- Citymoves Business Plan 2015-2018
- Funding application to Creative Scotland  
July 2014
- Education, Culture and Sport Committee Paper  
*Future of Citymoves*  
16 June 2014

## 9. REPORT AUTHOR DETAILS

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