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I enclose the following late circulation:-

6A. Aberdeenshire Culture and Sport Trust – Update.

(Pages 106-108)

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REPORT TO ABERDEENSHIRE COUNCIL – 18 JANUARY 2018

ABERDEENSHIRE CULTURE AND SPORT TRUST - UPDATE

1 Recommendations

Council is recommended to:

- 1.1 note that the forecast net financial benefit for an Aberdeenshire Culture & Sport Trust has changed by more than £100,000 compared with the position set out to Council at the meeting on 23 November 2017;**
- 1.2 agree to take no further action progressing Aberdeenshire Culture & Sport Trust; and**
- 1.3 note the intention at 2.7 to bring forward a report at a future date considering the establishment of a Culture & Sport business unit within the council.**

2 Background / Discussion

Introduction

- 2.1 At its meeting of 23rd November 2017 Aberdeenshire Council considered a report, "Aberdeenshire Culture & Sport Trust", which included a Full Business Case (FBC) for a wholly-owned charitable trust based on the statutory and regulatory framework in place at the time. The FBC highlighted the ongoing consideration by the Scottish Government of the Barclay Review of Non-domestic Rates, which included a recommendation to remove eligibility for rates relief for charities which were seen to be "Council ALEOs". Full Council agreed that if the forecast net financial benefit changed by more than £100,000 compared with the position as set out in the November report that a further report be brought to Full Council.
- 2.2 On 28th November the Cabinet Secretary for Finance and Constitution announced that whilst he would be making no changes to the legal framework for Non-domestic Rates Relief for Scottish Charities, he would act to remove the financial benefit to councils of developing "new" ALEOs. In subsequent dialogue with the Scottish Government it is now clear that the Cabinet Secretary's intention is to introduce a sanction on councils developing new ALEOs, reducing the Government revenue grant by the equivalent of any Non-domestic Rates Relief (NDRR) such that there is no net benefit.
- 2.3 In December Her Majesty's Revenue & Customs let it be known that it would not be appealing a legal decision which effectively equalises the VAT position on the operation of sports facilities between those delivered directly by councils, and those delivered via ALEOs. This removes the VAT benefit from the FBC for a trust.

- 2.4 In summary the financial position reported in the FBC of a net £500,000 benefit under the regulatory framework in place at the time of Council's last consideration of this issue has now changed to a net unavoidable recurring costs of £270,000 plus £55,000 enhanced marketing costs. In addition the FBC includes one-off transition costs of £285,000. The year one combined impact would be a net cost of £610,000.
- 2.5 The FBC highlighted the capacity for culture and sports services to deliver a significantly enhanced financial performance using the trust model whilst recognising the difficulty in accurately quantifying this. To proceed with the trust model under the new regulatory framework would incur a risk that the financial and service improvement benefits did not recoup the recurring and transitional costs. In the context of prudent management of the council's resources it is proposed that no further action is taken progressing Aberdeenshire Culture & Sport Trust.
- 2.6 The Full Business Case explicitly recognised there was significant potential for benefit in terms of service improvement and income generation for the council's culture and sport services from different models of public sector delivery, beyond the NDRR. In the qualitative assessment reported in the FBC, an option entitled "Enhanced Status Quo / Direct Service Organisation" was seen to have potential for delivering many of these benefits, though an exact model has not been explored in detail. These wider benefits include:
- Closer involvement of business and community expertise
 - A social entrepreneurship model, maximising income where appropriate to cross-invest in service improvement
 - Capacity for faster decision making around commercial service innovations
 - Service-specific arrangements for, eg, levels of marketing
- 2.7 It is proposed to explore a new model, which would be based on the above concept and would potentially be a business unit within the council, with the potential to pilot the delivery of culture and sport using that model. The model would seek to maximise the social entrepreneurial benefits outlined above, with the objective of providing the best environment for sustaining these valued services. The results of this work will be reported to Full Council in March.
- 2.8 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 Full Council is able to consider and take a decision on this item in terms of Section A.2.2 of the List of Committee Powers in Part 2A of the Scheme of Governance which gives power to decide on changes in committee structure, distribution of functions and responsibilities. The change in financial projections has substantially altered the effect of the decision of Council taken on 23 November 2017 and the Monitoring Officer agrees that this is the case. The Council can revisit and alter the decision taken on 23 November 2017 without the suspension of Standing Orders in terms of Standing Order 7.2 (1b).

4. Implications and Risk

- 4.1 An equality impact assessment is not required because the report does not propose any changes to policy or service delivery and does not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing implications arising from this report. If Full Council decides not to proceed further with this work, this will represent retaining the status quo for staff, where staff have been prepared for a change in their status. Communication with staff, trade unions, partners and wider stakeholders will be a priority.
- 4.3 There are no financial implications arising from retaining the existing delivery model. If Full Council decides not to proceed further with this work, there will be no further costs incurred thereafter in developing the trust model.
- 4.4 The following Risks have been identified as relevant to this matter on a Corporate Level:
- Failure to identify the most effective ways of delivering culture and sport services may reduce the impact of the services and impair the capacity to deliver on the Council priority, “Encourage active lifestyles and promote well-being with a focus on obesity & mental health”. It could also impair the capacity to achieve the priority of “A future Fit ECS Estate”, the priority of “Support(ing) inclusive, Vibrant and Healthy Communities” as detailed on page 24 of the Strategic Risk Register pertaining to Education and Childrens Services.

Maria Walker
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Report prepared by John Harding, Head of Lifelong Learning & Leisure
10 January 2018