

DUNDEE CITY COUNCIL

REPORT TO: POLICY AND RESOURCES COMMITTEE – 28 JANUARY 2013

REPORT ON: BENEFIT REALISATION – ESTABLISHMENT OF AN ARMS LENGTH CHARITABLE ORGANISATION

REPORT BY: DIRECTOR, LEISURE AND COMMUNITIES

REPORT NO: 56 – 2013

1.0 PURPOSE OF REPORT

1.1 To provide a summary of the benefits realised through the Changing For the Future Programme Project Five to establish an arms length charitable organisation with the purpose of delivering leisure, sport, library, information and cultural services.

2.0 RECOMMENDATIONS

The Committee are asked to note:

2.1 The total savings achieved on an annual recurring basis as a result of the staff restructuring/new operating model are £1,724,000.

2.2 Appendix 1, which provides a breakdown of how these savings have been achieved.

2.3 Significant additional benefits have been derived for which no cash value has been attributed.

2.4 The audited accounts and annual report for 2011/12, which were approved at the Annual General Meeting on 3 October 2012, can be found on the Leisure & Culture Dundee website at:
<http://www.leisureandculturedundee.com/sites/default/files/lacreport12.pdf> .

3.0 FINANCIAL IMPLICATIONS

3.1 In 2011/12 the net saving achieved through the establishment of Leisure & Culture Dundee was £1,324,000.

This was achieved through a saving on non domestic rates of £664,000 and a saving in the reduction in staffing of £660,000.

3.2 In 2012/13 an additional saving was made through non domestic rates of £180,000 and an additional saving through further reduction in staffing, cutting supplies and services budgets, and increasing income targets of £220,000.

3.3 The total savings achieved on a recurring basis is £1,724,000. This represents 18.9% of the budget for these areas of service prior to the establishment of an arms length charitable operating company.

4.0 BACKGROUND

4.1 Early in the life of the Changing For the Future programme it was agreed that the Council's operating structure should be amended and that the activities commissioned through Dundee Leisure should be combined with the services provided by the Leisure and Communities Department in respect of libraries, information, heritage, culture, golf and the Wildlife Centre, and sports development should be integrated into a new arms length charitable organisation.

4.2 Following an option appraisal in January 2011, the City Council agreed that the most appropriate special purpose vehicle would be a Scottish Charitable Incorporated Organisation.

- 4.3 Burness solicitors were commissioned to act on behalf of the Council for the establishment of this arms length charitable organisation which came into existence on 1 July 2011.
- 4.4 With the support of the Trade Unions a staff transfer agreement was negotiated which ensured that staff transferring from the City Council would continue on similar pay and conditions of service to those in equivalent posts would have enjoyed had they remained within the local authority structure. Tayside Region Superannuation Scheme agreed that the new organisation should be an admitted body, ensuring that staff transferred with no detriment to their pension entitlements. Dundee City Council agreed to act as guarantor for the new organisation.
- 4.5 Following a public appointments process a Board of Council and independent appointed trustees was formed in August 2011.
- 4.6 Leisure & Culture Dundee was the second Scottish Charitable Incorporated Organisation to be established in Scotland and the first of any significant scale. It has attracted interest from other local authorities and leisure trusts across Scotland.
- 4.7 The City Council, in conjunction with the Leisure & Culture Dundee Board, commissioned an internal audit of its governance and operating structure during 2012 and this was reported to the Scrutiny Committee on 22 August 2012. The internal audit confirmed that significant progress had been made, that the organisation was fully compliant and identified actions which required to continue to be worked on over the next 12 months.
- 4.8 Performance results have been impressive. Despite reductions in staffing, the opening hours, service usage performance and Key Performance Indicators (KPIs) have all been sustained at broadly the levels achieved when services were being directly delivered by either Dundee Leisure or Dundee City Council. In some areas there have been significant improvements in services. These reflect investment decisions taken previously by the City Council i.e. the decision to build a new entrance, incorporating a café and educational facilities, at the Camperdown Wildlife Centre.
- 4.9 Each trustee has recently participated in an annual review and their level of engagement and commitment to their roles has been impressive. There is no question that the formation of the Board has acted as a stimulus for service improvements and that they have added significantly to the operation of the organisation.
- 4.10 In bedding down the new organisation one of the key challenges has been the development of Service Level Agreements between Dundee City Council departments and the arms length body. Where there were clear advantages in retaining a scale of operational efficiency and not duplicating functions an SLA was formed to enable Leisure & Culture Dundee to continue to receive the service previously provided prior to its creation e.g. IT services, property services, legal advice (where there is no conflict of interest), ground maintenance services, health and safety, and financial services.
- 4.11 In addition to the formation of a Trustee Board, three stakeholder groups have also been formed. The engagement of service users and key stakeholders through this process has further added to the new operating model and the responsiveness of the new organisation to user and stakeholder expectations.
- 4.12 As a charitable organisation with a high dependency on income generated from its customer base Leisure & Culture Dundee's business model remains vulnerable to change in market conditions. Going forward the organisation will require to balance its social and charitable objectives with its business objectives and one of the key challenges it faces in the development of the Business Plan 2013-17 is to find a way of ensuring affordable access for those on low incomes while maintaining viability.

4.13 Leisure & Culture Dundee has attracted donations and grants. There is further scope to secure lottery and other sources of funding.

4.14 Finally, the flexibility shown by staff in embracing change has contributed to its impressive results over the first operating period. There appears to be strong understanding within the organisation of its social purpose and the benefits of operating at arms length while retaining strategic links to the local authority. This understanding is less well understood publicly and feedback suggests that Leisure & Culture Dundee requires to do more to assert its own identity as an independent charitable organisation.

5.0 POLICY IMPLICATIONS

5.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. No major issues have been identified.

6.0 CONSULTATION

6.1 The Chief Executive, Director of Corporate Services, and Head of Democratic and Legal Services have been consulted on this report.

6.2 The report has also been shared with the Trustees and Senior Management Team of Leisure & Culture Dundee.

7.0 BACKGROUND PAPERS

7.1 None

STEWART MURDOCH
DIRECTOR, LEISURE AND COMMUNITIES
16 January 2013

APPENDIX 1

From 2011 -13 the full year recurring savings can be categorised as follows:

Description of saving	2011-12 FYE	2012-13 FYE	Total recurring saving	Comments
Non Domestic Rates	£664,000	£180,000	£844,000	Excludes Camperdown House.
Staffing - support Services & SMT	£257,000	£47,000	£304,000	Net reduction is 5.5fte + 1.3fte = 6.8fte,
Staffing - Libraries & Information	£226,000	£12,000	£238,000	Net reduction is 8.5fte + 0.3fte = 8.8fte
Staffing - Cultural Services	£131,000	£0	£131,000	Net reduction in 5fte.
Staffing - Leisure & Sport	£46,000	£19,000	£65,000	Net reduction is 2fte + 0.8fte =2.8fte
Cut Supplies & Services	£0	£61,000	£61,000	Includes Discretionary Expenditure savings £15k
Increased Income Targets	£0	£81,000	£81,000	Includes increase in income targets arising from changes in VAT treatment - £32k
Total	£1,324,000	£400,000	£1,724,000	