



To: The Leader and Executive Councillor for Strategy and Transformation: Councillor Lewis Herbert  
Report by: Head of Arts & Recreation  
Relevant scrutiny committee: Strategy & Resources 20/10/2014  
Scrutiny Committee  
Wards affected: ALL

## ARRANGEMENTS TO ESTABLISH THE CULTURAL TRUST

### Key Decision

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#### 1. Executive summary

##### Summary of report:

- § The business plan assumptions are robust and cautious
- § The model will deliver savings of £415k per year on the existing position from 2019/20 onwards, against the current annual turnover figure of £4.5million.
- § The project delivers savings through cumulative reduction in subsidy, reduction in the cost of the Council's outdoor events, and through reduced demand on the Council's central costs allowing these to shrink over time
- § There is currently a cost to the Council in year 1 which is covered in the five year payback model
- § Sara Garnham has been appointed as Founding Chair of Cambridge Live (the name of the Trust)
- § Arrangements for transfer of staff have progressed in consultation with staff and Trades Unions.
- § Arrangements for use of Council property and assets such as trademarks have been developed in discussion with the Chair
- § The proposals for the Council's outdoor event programme enable the Council to have input and influence over funding and scope/content

#### 2. Recommendations

##### 2.1 That the Leader:

- a) Approves the transfer to the Cultural Trust ("Cambridge Live") of the Council responsibilities set out in the report;

- b) Approves the funding, property, staffing and relationship management arrangements proposed in the report;
  - c) Authorises the Director of Customer and Community Services to take all decisions and actions needed to implement the proposals set out in this report.
- 2.2 Recommends Council to approve, through the Budget Setting Report 2015, the budget and finance proposals set out in the report.
- 2.3 Notes the recommendations made by the Executive Councillor for Arts & Recreation and approves two Councillor Trustees to be appointed to the board of Cambridge Live as set out in the report
- 2.4 Notes the decision by the Executive Councillor for Communities Arts & Recreation taken on 16th October 2014 in respect of the review of outdoor events

### **3. Background**

#### **3.1 Purpose**

3.1.1 Reflection on the project objectives:

- i) To reduce the subsidy required to these services
- ii) To provide a sustainable financial and operational basis on which the services can thrive
- iii) To manage and mitigate the increasing risk to the authority of continuing to provide the services directly.

There is an emerging fourth strategic driver, linked to the corporate objective of transforming services to meet the needs of residents with fewer resources. In this case, part of the savings gained over time relate to an expected reduction in demand upon the Council's central infrastructure, enabling it to shrink and cost less.

3.1.2 There are significant risks to the Council in not doing anything:

a) The Folk Festival faces increasing financial risks

- § Raising sponsorship and investment is increasingly difficult and there has been shortfalls in each of the last 2 years
- § The economic downturn has created a challenging business climate for festivals
- § In recent years there have been significant increases in performing artist fees as musicians seek revenue from live performance as opposed to recorded music.
- § It operates in a crowded and highly competitive festival market.
- § Council budgeting requires year on year net increases in income targets which are levied on an already pressured budget with a 100% predication on sell out which cannot be guaranteed

b) The Arts & Recreation budgets have been re-assessed and re-organised in recent years but still incorporate challenge and uncertainty.

- § Since 2010/11, and by 2015/16, subsidy to the cultural element of the service area will have been reduced by £500k per annum via restructuring and the introduction of more cost efficient and commercial ways of working e.g. new box office software. This annual saving against the base budget is in addition to the further saving anticipated through the cultural trust project.
- § Whilst the service now operates in a more effective and streamlined manner, the transformation revealed budget deficiencies. These shortfalls have been covered in 2012/13 and to a greater extent in 2013/14 through strict expenditure and vacancy management and one off exceptional income items.

c) The Trust model is better placed to take advantage of operating efficiencies, cost savings and income generating opportunities. These opportunities include taking the bar operation in house and an increased focus on philanthropy, trust and foundation funding.

d) The risk profile for this area of activity is high, due to local and national public profile and financial volatility of the events and entertainment sector (the budgets rely on achieving over £4m income each year). Given the current financial position, and its operational constraints, the Council is not in a strong position to address these risks itself.

e) Citizens' Surveys show that residents support these services but challenge levels of subsidy and do not think the Council should run them directly

### **3.2 In March 2014, the then Executive Councillor for Community Well-being took the following decision:**

- a) To approve in principle the establishment of a Trust to run Cambridge Corn Exchange, Cambridge Folk Festival and other events, and to authorise work to progress this, subject to further decisions required as below.
- b) To approve that a Working Group should be set up as outlined in section 3.10 of the officers report<sup>1</sup> to support the work involved in the implementation stage.
- c) To agree that the following further work which has wider implications for the Council, is progressed in discussion with the relevant Directors and the Working Group prior to discussion at Strategy & Resources Scrutiny Committee and final authorisation by the Executive Councillor

for Customer Services and Resources: Management of transfer of staff; Funding Agreement; Agreement of property, land use and other rights; Expectations and relationships between the Council and the Trust

- d) To delegate authority for all other decisions necessary to implement and establish the Trust (including the appointment of a Chair) to the Director of Customer and Community Services in discussion with the Working Group.
- e) To acknowledge the indicative timetable for implementation, and agree that this may be varied in accordance with the delegation in 2.4 of the report.
- f) To bring forward proposals to the autumn 2014 committee cycle for a refreshed programme of outdoor events

### **3.3 Cross party working group**

The working group has been formed with each party leader nominating two representatives. Following the local election changes it now comprises Executive Councillor for Communities, Arts and Recreation Richard Johnson; Councillors Zoe Moghadas, Sian Reid and Andy Blackhurst; also Nick Dodds (consultant), Debbie Kaye and Liz Bisset (chair). The group meets monthly and at the time of writing, has met four times.

### **3.4 Project teams**

a) There is an internal core project team which meets every 6-8 weeks, and which provides a coordinated oversight as well as individual expertise on specific pieces of work.

b) The external project team is led by Bates Wells Braithwaites (BWB) with associates Festivals and Events International (FEI) Ltd.

BWB advise on governance and legal aspects of the establishment of the Trust as a company limited by guarantee registered with the Charity Commission and HMRC. This includes drafting of the Articles of Association (constitution), incorporation with Companies House, drafting of the charity application and guiding the Trust's trustees through the process of registering as a charity. BWB also provide specialist advice on the governance structure, taxation, cultural exemption, property and the transfer of staff. BWB are responsible for drafting the agreements between the Council and the Trust.

FEI have assisted the Council with recruitment of the chair, trustees and managing director for the new Trust. Having completed the business case in the first stage, FEI have worked with the Cultural Facilities Manager and Principal Accountant to produce a detailed business plan and zero based budget for the Trust.

### **3.5 Set up progress**

#### **3.5.1 Appointment of Chair of Cambridge Live**

Following an open recruitment process, a panel comprising the Leader of the Council, Liz Bisset, Antonia Byatt (Arts Council England) and FEI consultant Nick Dodds interviewed a shortlist of candidates. Following a further discussion with the Leader and Opposition Spokesperson for Communities, Arts and Recreation, Sara Garnham was asked by the Council to take up the position of Chair of Cambridge Live. The Council made a public announcement about the appointment on 7<sup>th</sup> August. It was agreed that once the chair is in place, BWB would offer more specific legal advice to the new entity. A 'Chinese wall' will need to be in place to ensure both the Council and the Trust are receiving specific advice and neither is compromised by the shared use of BWB in the set up phase

### 3.5.2 Appointment of Trustees

The Chair has proposed a process for the recruitment of Trustees and discussed this with the cross party working group. The recruitment campaign will begin as soon as the Council agrees the proposed arrangements between the Trust and the Council.

### 3.5.3 Secondment of Cultural Facilities Manager

The Cultural Facilities Manager (Steve Bagnall) has been seconded to work for the Trust for 2 days a week. The arrangement started in August and will finish on 31<sup>st</sup> December. The purpose of the secondment is to provide expertise and support to the Chair as she sets up the Trust. A Chinese wall has been agreed and is in place to protect confidentiality.

## 3.6 Property issues

### 3.6.1 Historic principles

- a) Historically external organisations pay market rent and grants are dealt with separately. However, this scenario is different in that the Trust is being established to take on existing Council services, and the Head of Property Services believes there is a justifiable basis for a different approach.
- b) Generally speaking, the Council transfers repair liabilities to reduce risk to the Council – i.e. the risk is transferred to the providers where possible.

### 3.6.2 Proposed principles

- a) It is proposed that arrangements are simplified, and that one agreement with rent for the Corn Exchange and Guildhalls is reflected in the overall contract.
- b) Any charges not currently in the budget that the Council would wish to additionally impose would at least in formative years, need to be covered by an additional subsidy to the Trust e.g. imposition of a market rent instead of a peppercorn. This could be reflected in consideration of any positive subsidy at a Review point (see point 3.6.6).
- c) Arrangements for repair and maintenance will reflect current responsibilities, funding, risks, specialisms and budget lines. For example, the Council will continue to have responsible for the external and structural

aspects; the Trust will have responsibility for internal and operational aspects – as the service does now.

d) The duration of agreements should reflect operational models

e) The Trust would be responsible for all utility costs – and mechanisms found to manage this in areas where readings are currently jointly taken

### 3.6.3 Issues

a) The Council is undertaking a corporate review of repair and renewal funding

b) There is a 20 year comprehensive planned repair and renewal programme for the internal and operational elements of the Corn Exchange which is funded through a repair and renewal code, into which revenue contribution are made each year. Under the arrangements, the accrued repair and renewal budgets for the transferred services will be transferred to the Trust under ring-fenced, monitored arrangements. The following accounts will transfer:

- § Corn Exchange internal building
- § Corn Exchange equipment
- § Corn Exchange office equipment
- § Civic rooms
- § Parsons Court Roadway
- § Distribution Boards

c) The Council and the Trust may reconsider property arrangements in light of any positive subsidy (i.e. once reserves have built up) at the Review point (see point 3.6.6).

d) Some of the Council's landlord responsibilities are volume dependent i.e. costs go up with more use but without necessarily generating additional income (wear and tear on general buildings, utilities).

e) The current cost of business rates is £36,500. If the Trust can claim rate relief, this will impact on rates received by the Council and this is reflected as a cost in the overall business model.

### 3.6.4 Trademarks, Rights, and licences

The Council holds the right to the name 'Cambridge Folk Festival'. This is a registered trademark. The Council will grant Cambridge Live a licence to run Cambridge Corn Exchange and Cambridge Folk Festival, and for a period of 25 years. The leases for the venues and rights to use land at Coldham's Common and Cherry Hinton Hall will run alongside these.

### 3.6.5 Review points.

The Council will require periodic contractual review points at which overall performance, direction of travel and funding arrangements can be discussed. The proposed frequency is five years, although the first point would be scheduled for the autumn of 2017.

### **3.6 Staffing – principles of arrangements**

3.6.1 All work related to the Corn Exchange and Folk Festival and the people that do that work will transfer to the Trust under the TUPE (transfer of undertakings and protection of employment) legislation on their existing terms and conditions. The business plan includes a full allocation of existing staff costs. There will be an immediate need to review management responsibilities as the head of service is not transferring.

3.6.2 Pension contributions have been determined assuming the Trust becomes an Admitted Body within the LGPS arrangements. The business plan also assumes that as an admitted body, the Trust will operate a closed LGPS pension scheme i.e. the LGPS will be available only to transferred Council staff. New staff will be enrolled in a separate scheme

Indicative costs for a bond to mitigate against project failure have been determined; however the Head of Finance has recommended that the Council underwrites the risk rather than require the purchase of a bond.

3.6.3. The business plan assumes the Trust will pay the national living wage to its staff. The Council would expect the Trust to recognise Trade Unions.

3.6.4 TUPE letters have been sent to Trade Union representatives informing them that a transfer of staff is envisaged in connection to the creation of a cultural trust, and those staff who have been identified as working wholly or substantially in the service transferring received TUPE letters week commencing 11.08.2014.

3.6.5 A due diligence exercise in relation to TUPE is being undertaken with BWB. This will be used to inform the staff consultation process.

3.6.6 Unison has recently undertaken a survey with staff on the transfer and the results of this will also be used to inform the consultation.

### **3.7 Zero based business plan (see Appendix A)**

#### **3.7.1 Approach**

It was recognised in the BWB/FEI report in February 2014 that a zero based, bottom up business planning exercise would be needed to support and verify the business case budget that was presented alongside that report. This original budget was largely based on historic Council accounts. The new 5 year business plan is a comprehensive work book and the key points are summarised in this report. It is structured in a way that recognises that the new organisation is an event driven operation and is built up from event analysis based on known and understood projections of business activity for the Corn Exchange, Guildhalls and Folk Festival alongside a detailed analysis of future operational and infrastructure expenditure that will be required by the Trust. The business plan will form the basis for the chart

of accounts and management reporting for the new organisation. Income and cost projections have been worked up by Arts and Recreation managers with FEI. The business plan has been reviewed by the Council's Finance section and the cross party working group.

### 3.7.2 Comparison with February 2014 model

The February 2014 report indicated a Council subsidy requirement of £350k in year 1 reducing by £50k year on year for the following 4 years plus a grant to fund the Outdoor Event programme that was a balancing figure after taking into account costs and projected income.

The subsidy reduction is driven by the following factors:

- § Increased revenue from the in house catering operation
- § Increased revenue from sponsorship and philanthropy
- § Cost reductions from efficiencies and a more flexible approach to procurement and operational delivery.

### 3.7.3 Summary of the June 2014 plan

The work on the zero based budget has largely confirmed the February business case. There are many variances across both income and expenditure lines as would be expected but the overall impact is broadly neutral. The June 2014 business plan again projected subsidy of £350k reducing to £150k in Y5. This position has been improved on since then, largely due to the Trust buying back a number of services from the Council that were not originally assumed for example, legal, HR advice and accountancy support. The subsidy now stands at £275k in Y1 reducing to £50k in Y5. These revised figures are shown in the table on page 13.

The cost of Outdoor Events remains a balancing figure between projected income and expenditure.

### 3.7.4 Assumptions

Detailed assumptions that informed the zero based business planning process are contained in the FEI reports. The key assumptions are as follows:

- § Catering - The Business Plan assumes that the Corn Exchange catering operation moves in house. Revenue is expected to increase with the elimination of overheads charged by the incumbent contractor and a more efficient and flexible approach to the business.
- § Events - Event numbers in the Corn Exchange and Guildhalls increase from 345 to 417 in the life of the Business Plan. The majority of this growth is anticipated to be in the Guildhalls. The year 1 figures are based on actuals from 13/14 and projections for the current year.
- § Fundraising – It is anticipated that a Fundraising Manager will be appointed by the Trust later this year. Fundraising income is projected to grow significantly during the life of the Business Plan. This is a reflection of the greater potential for corporate and philanthropic giving with the Trust Model.



- § Staff – The Business Plan assumes that all staff whose work transfers to the trust will transfer under TUPE into the Trust and the existing staffing budget is reflected. Pension contributions have been determined assuming the Trust becomes an Admitted Body within the LGPS arrangements. The plan assumes the Trust will pay the national living wage.

### 3.7.5 Taxation/VAT/Cultural exemption

Cultural exemption was explored in detail as part of the February business case. At the time BWB advised that on the basis of their work so far, the Trust should not apply Cultural Exemption at the outset. The rationale for this is that whilst it could deliver a small saving, there are risks in that:

- § The position is marginal and small changes to the business model may have a negative impact; and
- § It is difficult to reverse

That position has been revisited as part of the zero base project and BWB conclude that there is still a marginal saving of £22k but the risk detailed above still exists. The Business Plan has been prepared on the basis that VAT is charged on all tickets.

### 3.7.6 Start-up costs

Start-up costs have reduced from the £200k indicated in the February plan to £167k. The bulk of this reduction relates to reduced expectation of any management of change costs. The February business case was based on an indicative staff structure that would have required restructuring and redundancy costs. The July business plan assumes full costing for all staff that will transfer under TUPE. There is a £15k staff cost in year 0 (2014/15) to cover the appointment of the Fundraising Manager. The Chief Executive has agreed the set up costs should be met through the Council's Efficiency Fund.

	Y -1	Y 0	Y 1	
<b>Set up costs</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total</b>
BWB Phase 1 Cost	25000			<b>25000</b>
BWB Phase 2 Cost		65000		<b>65000</b>
BWB Legal/Project Management contingency		20000		<b>20000</b>
VAT project	4730			<b>4730</b>
FF Consultancy	7500			<b>7500</b>
Trust communications and IT set up		30000		<b>30000</b>
Trust Staff Costs in year 0		15000		<b>15000</b>
Provisional MOC costs			0	<b>0</b>
<b>Total set up costs</b>	<b>37230</b>	<b>130000</b>	<b>0</b>	<b>167230</b>

### 3.7.7 Business rates/rate relief & property insurance

As a charity the Trust will receive an 80% mandatory relief from the amount of business rates. It will be able to apply to the Council for the other 20% discretionary relief and the business plan assumes that this will be granted. The extra cost to the Council is calculated at £15k and this has been factored into the overall impact of the project. Costs for property insurance may change as a result of movement from general to commercial cover. Quotes for this are being obtained.

### 3.7.8 Funding agreement

The Council overall financial support for the Trust over the next 5 years is detailed below. Subsidy post 2020/21 would be discussed at a Review Point in the autumn of 2017.

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Trust Subsidy	275k	212k	175k	100k	50k
Outdoor events Grant	207k	196k	185k	17k5	165k
<b>Total</b> (excluding inflation)	<b>482k</b>	<b>421k</b>	<b>360k</b>	<b>275k</b>	<b>215k</b>

### 3.7.9 Impact of the project to the Council

Referring to the table on page 13 which has been produced by the Finance team, the following observations can be made:

- a) Current costs are calculated at £1.01m
- b) Subsidy (excluding outdoor events) in year 1 is reduced from February 2014 projection of £350k to £275k by internal purchasing of services (i.e. reducing duplication in subsidy funding) and further budget rationalisation. Trust subsidy reduces to £50k by year 5
- c) The subsidy in year 1 for outdoor events is £207k. This includes the outdoor events programme such as content, infrastructure, operational and proportionate permanent staffing costs.
- d) The outdoor events programme reduces in cost by 21% over the first 5 years due to the Trust's ability to operate the events more efficiently whilst maintaining quality and standards. This will be achieved via more flexible procurement, greater ability to fund raise and increased use of volunteers
- e) Since the February report, as part of the corporate business transformation project, the Council has redistributed back office

costs/recharges to front line services, creating a significant increase in the presented cost of the service. The overall impact to the Council is neutral. Recharges will be addressed through this project and the business plans assumes a 15% reduction from year 2, with a total of a 47% reduction by year 5. Recharges remain at 100% of current costs in year 1.

- f) Business rates – this relates to the additional cost of mandatory charitable rates relief to the Council
- g) Proportionate Head of Service relationship management/monitoring role is allocated as a cost to the project (estimated at 10%)
- h) The start-up costs have been reduced from £200k to £167k. This is because management of change costs have been removed as the staffing structure is fully funded
- i) There is an additional cost of £109k in year 1 which is recovered across the 5 years through the project savings to the Council. This figure includes the additional fundraising staff post in year 1, assumed no impact of fundraising in year 1, and additional duplicated unavoidable costs for the Trust associated with the purchase of Sage and IT systems and support.
- j) From year 6, the ongoing annual saving to the Council is £415k
- k) Savings to the Council are primarily driven via
  - § The reduction in subsidy to the Trust from £275 in year 1 to £50k in year 5
  - § The reduced cost of operating the outdoor events in a more efficient environment
  - § Reduction in central recharge costs
- l) The business plan does not include a reserves policy, which the Trust is developing. The small surplus predicted in each of the first few years would need to be set aside for this purpose. The Council will agree a process for monitoring this with the Trust to ensure levels of both reserves held by the Trust, and subsidy provided by the Council are appropriately balanced, and accordingly agree any adjustments.
- m) The business plan does not include associated benefit for example, from increased car parking revenue related to the additional events at The Guildhall and Corn Exchange

Table notes:

1. Starting base budget includes Head of Service salary
2. Assumes services to the value of £50,000 purchased from the Council (Telephone, Accountancy, HR & Legal) [SB email 16/07/2014]
3. Current business model includes inflation for both costs and income. This calculation deletes that impact for a like for like comparison
4. A new Council cost for mandatory business rates relief (80% of £36k @40% - CCC share)
5. This is based upon approximately 10% (2 days / month) of future costs of the Head of Service acting as client manager
6. Payback is contingent upon speed with which the Council is able to deliver support service efficiencies
7. Timing of repayment of start-up costs is contingent on ascertaining what the actual costs are and when the Trust can afford to reasonably pay them
8. Further refinement of these figures may take place, on the basis that there will be no negative financial impact for the Council.

## Table showing impact of project to the Council

Current Model Cost £ '000s	Notes	2015/16	2016/17	2017/18	2018/19	2019/20	5 year cost
Budget 2014/15 (uninflated)	1	1,010	1,010	1,010	1,010	1,010	5,050
<b>Trust Model</b>							
Trust Subsidy (per original model)		350	300	250	200	150	1,250
Services to be purchased from CCC		(50)	(50)	(50)	(50)	(50)	(250)
Further business model efficiencies		(25)	(38)	(25)	(50)	(50)	(188)
<b>Revised subsidy requirement</b>	2	<b>275</b>	<b>212</b>	<b>175</b>	<b>100</b>	<b>50</b>	812
Exclude Inflation from model	3	(20)	(10)	(5)	10	20	(5)
Outdoor Events SLA		207	196	185	175	165	928
Total Subsidy		<b>462</b>	<b>398</b>	<b>355</b>	<b>285</b>	<b>235</b>	<b>1,735</b>
<b>Total cost to CCC</b>		<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	
Unavoidable Residual recharges	<i>see below</i>	628	533	453	385	328	2,327
	<b>15.0%</b>						
Business Rates charitable relief	4	15	15	15	15	15	75
Ongoing Head of Service costs	5	17	17	17	17	17	85
Trust Subsidy		462	398	355	285	235	1,735
<b>Total cost to City Council</b>		<b>1,122</b>	<b>963</b>	<b>840</b>	<b>702</b>	<b>595</b>	<b>4,222</b>
<b>Variance</b>		<b>112</b>	<b>(47)</b>	<b>(170)</b>	<b>(308)</b>	<b>(415)</b>	<b>(828)</b>
<b>Payback Summary</b>							
Variance as above	6	112	(47)	(170)	(308)	(415)	(828)
Repay start up costs (timing provisional)	7	0	0	50	50	67	167
<b>Total cost / (income)</b>		<b>112</b>	<b>(47)</b>	<b>(120)</b>	<b>(258)</b>	<b>(348)</b>	<b>(661)</b>
<b>Cumulative</b>		<b>112</b>	<b>65</b>	<b>(55)</b>	<b>(313)</b>	<b>(661)</b>	

### 3.7.10 Due diligence

Financial due diligence checks have been undertaken by Caroline Ryba, the Council's Head of Finance and Section 151 Officer

### **3.8 Outdoor events**

3.8.1 Under the new arrangements, the Trust will deliver the Council's annual outdoor event programme, namely Midsummer Fair, Big Weekend, Mayor's Day Out, Tea Dances and November 5th Bonfire Night. The Council provide a sum equal to that provided at present but which reduces

by up to 21% over the 5 year agreement to reflect the trust ability to operate the events more efficiently. This reduction does not reflect an expectation in reduction in spend on event programme and content.

3.8.2 There are opportunities to develop the programme, at one end of the scale by working with smaller, existing community led events, and at the other with more high profile events, such as the recent visit of the Tour de France, and the hosting of the Olympic Torch Relay, and clearly, the Cambridge Folk Festival. The move to the Cultural Trust offers more opportunity to innovate and develop the existing programme, both creatively and financially, at the same time as continuing to deliver open and accessible events. Along with other external organisations, the Trust may bring forward new ideas for events for the Council to consider. The Council may request support from the Trust for additional events such as major sports events, civic occasions etc.

3.8.3 Three key areas for development are set out below:

a) A Coherent City Wide Programme

Continue to work with the Council via the Event Management Group on the broader programme of outdoor events regulated by Streets & Open Spaces, bringing together Trust events, community events and potentially other commercial and professional events into a coherent, highly visible and easily recognised programme of City based outdoor activity

b) Community Events Capacity Building and Development

Working with community events to build their skills and aspirations, through targeted professional support and programming

c) Increased Scope and Quality for Existing Programme

Development of the existing outdoor event programme, in particular building the scope of the programming to include high quality outdoor arts, funded through external sources such as Lottery, Arts Council and philanthropy.

3.8.4 The business plan for the Cultural Trust highlights that by year 5, savings against the base budget of 21% (£42k) can be made. This will be achieved by a combination of the following:

- § The Trust's enhanced ability to seek external funding
- § Operational efficiencies e.g. procurement
- § Less use of temporary agency staff (more directly employed staff)
- § Greater use of volunteers where appropriate and in suitable roles
- § Considering options for maximising use of infrastructure (in discussion with the Council)
- § Examining scope for increasing income for example through traders and partners

3.8.5 The funding for the outdoor event programme will be ring-fenced in the Trust budget, giving the Council visibility and offering opportunity for influence and review. Under this proposal, the Trust will be contracted to maintain existing events, and develop the programme so far as is possible. The current event programme will be maintained with the reduced subsidy, some of which will come from cost savings, and some replaced with additional earned income. Unless the Council wished to offer extra funding, any additional activity, including development and planning, would have to be funded from external sources. The arrangements will permit the Council to request inclusion of additional activity as well as allow the Trust to bring forward ideas to develop new events.

3.8.6 At present, each autumn the Arts & Events team consult with stakeholders and community groups to review the summer's programme and begin to collate ideas for the following year. This process will continue under the Trust, with the added formality of a meeting with the Relationship Manager and the Executive Councillor for Communities, Arts & Recreation in autumn each year at which the Trust will outline the proposed programme for the Council's comment and input. The early planning currently being undertaken to consider a programme to commemorate the end of World War Two is a good example of how this opportunity for influence is working now and will continue to in the future.

3.8.7 The outdoor events will be monitored via the overall performance framework identified in point 3.10 which is being established to manage the Council's relationship with the Trust.

### **3.9 Governance arrangements**

Cambridge Live has been set up as a private company limited by guarantee, with an associated private company limited by shares, Cambridge Live (Trading) Limited. Draft Articles of Association have been prepared and have been reviewed by the Chair but not yet been submitted to the Charity Commission. The draft objects are for the public benefit:

- § ...the promotion of arts and culture, particularly, but not exclusively, by promoting and facilitating access to performances of live music and other art forms;
- § ...the advancement of education, particularly, but not exclusively, in relation to music, arts and performing arts;
- § ...the promotion of social inclusion by preventing people from becoming socially excluded, relieving the needs of those people who are social excluded and assisting them to integrate into society; and
- § ...the provision of facilities and events in the interests of social welfare for recreation or other leisure time occupation of individuals.

Other the key points to note are as follows:

- § The Chair of Cambridge Live has expressed a wish to operate a board with eleven trustees, with a maximum number set at 15.
- § At this level, the Council can appoint a maximum of 2 trustees and these can be appointed and removed at any time. The Executive Councillor for Communities Arts and Recreation has responsibility for the nomination of the Council's 2 appointed trustees.
- § The Quorum for Trustees meetings is 3
- § Any decision outside the board meeting structure can only be taken if it is unanimously agreed by all trustees
- § The Trustees may appoint patrons and establish associate members

### **3.9.1 Appointment of Cambridge City Council Trustees to the Board of Cambridge Live.**

The Executive Councillor for Communities, Arts & Recreation has responsibility for the nomination of two Council trustees. He has advised that Councillors Dan Ratcliffe and Sian Reid have been nominated. The chairs of Strategy & Resources and Community Services scrutiny committees and the minority spokes for Communities Arts & Recreation and Strategy and Transformation have been informed of nomination process.

### **3.10 Management of relationship**

The relationship will be managed under contract via a performance framework, which will include the following components:

#### **3.10.1 Contractual requirements**

a) The use of Council buildings and assets will be controlled through leases and licences. This will identify the duration of arrangements, responsibilities of each party and financial relationships

b) Establishment of Council requirements for the use of the Cambridge Folk Festival trademark. This could include, for example

- § The event must focus on the folk music genre
- § The event must be held at Cherry Hinton Hall unless permission for an alternative site is given by the Council

c) The Council's contracts with Cambridge Live will run for 25 years to reflect the Council's relationship with the Trust across the duration of the other arrangements. There will be review points to assess strategic and financial direction, also termination clauses relating to serious contractual breaches for reputational, financial mismanagement, health and safety reasons.

d) Review points – proposed every 5 years, although the first would take place in autumn 2017 to consider requirements and subsidy post 2020/21



#### e) Performance and Service Outcomes

- § Agreed subsidy
- § Performance management outcomes relating to Corn Exchange, Cambridge Folk Festival and outdoor events, for example in relation to audience development, equality, diversity and accessibility.
- § Development of an artistic vision
- § Engagement with the Council (for example in regard to the outdoor events programme)

#### 3.10.2 Board of Trustees

- § Appointment of Council trustees
- § Open and transparent recruitment of Trustees

#### 3.10.3 Monitoring

- § Relationship manager – Head of Communities Arts & Recreation (HoCAR) will be an observer at board meetings
- § Monthly meetings with Managing Director (MD)
- § Quarterly finance and performance report (QFPR) with Chair and MD
- § 5 year review points – proposed every 5 years, although the first would take place in autumn 2017 to consider requirements and subsidy post 2020/21.

#### 3.10.4 Political scrutiny

- § Councillor nominated trustees
- § The Council will discuss with the Trust the option of appointing observers as alternates to its nominated Trustees in the event of absence.
- § Executive Councillor attends QFPR meeting
- § Annual Report by Chair to Council (proposed half yearly in the first yearly)
- § Review points

#### 3.10.5 Public scrutiny

- § Feedback to Trust and Council from members of the public
- § Minutes of Board meetings available
- § Open aspect to AGM
- § Annual report published
- § Public can apply to be Trustees through open process

#### 3.10.6 Recommended length of terms

Contract: 25 years

Leases, licences, trademarks: 25 years

Funding agreement: 5 years (to run alongside current 5 year business plan)

Review periods: 5 years

### 3.10.7 Performance framework diagram



### 3.11 Risk assessment

The following risks have been identified and are outlined in the summary below. The full risk assessment is available upon request.

<b>Risk</b>	<b>Category</b>	<b>Cause</b>	<b>Controls</b>
1. Business fails to meet financial targets	Financial	Trust fails to meet business targets	CCC scrutiny of 5 year business plan believed to be robust; Performance management framework involves monthly meeting between CCC relationship manager HoCAR and MD, and monthly oversight of accounts by CCC accountant, quarterly meeting between Chair, MD, HoCAR and Executive Councillor, oversight by CCC-appointed Trustees, six monthly report by Chair to Councillors.
2. Service failure	Operational	Trust fails to deliver against expected performance or quality outcomes	CCC performance requirements outlined in SLA and other contracts. Performance management framework (as above).
3. Trust causes reputation damage to	Political	Actions of the Trust cause reputational damage to the	CCC endorses a robust process for recruitment of Trustees. Performance management framework ensures close working relationship to address any

the Council		Council	concerns in a timely manner.
4. Trust faces business continuity problems	Operational	Chair, Trustees or key staff leave the Trust. Buildings are unusable for a reason	Performance management framework ensures close working relationship to anticipate and offer support. Expect to see a business continuity plan in place and issues managed via risk register.
5. Trust responsible for significant health and safety breaches	Operational	Failure to comply with health and safety legislation, including Fire Risk Assessment	Area governed by legislation. Responsibilities of the Council and Trust respectively to be made clear in funding and contractual agreements. Along with Risk Management, we would expect to see health and safety as a routine Board agenda item. The Performance management framework and close working relationship will enable health and safety issues to be identified and managed
6. Trust responsible for safeguarding breaches	Operational	Failure to comply with legislation and County Council procedures in place to protect children and young people and vulnerable adults	Area governed by legislation. Responsibilities of the Council and Trust respectively to be made clear in funding and contractual agreements. Expect to see Safeguarding policies in place and engagement by Trust in local safeguarding training and events. The Performance management framework and close working relationship will enable monitoring to check arrangements are in place.
7. Taxation or contractual breaches	Financial	Procurement set up and VAT arrangements insufficiently robust	Expert advice taken from BWB, Counsel opinion. Council procurement and VAT advisor involved in set up of arrangement

## 4. Implications

### (a) Financial Implications

Outlined in section 3.8.9

### (b) Staffing Implications (if not covered in Consultations Section)

Outlined in section 3.7

### (c) Equal Opportunities Implications

A summary of the issues and actions arising from the EQIA (Appendix B)

<b>Equality Group</b>	<b>Possible impact or disadvantage</b>	<b>Action</b>
Age	Staff concerned about LGPS pensions in the transfer	Discuss LGPS options with Trust; Discuss proposals and method of consultation with Trade Unions. Consult on arrangement with staff
Disability	Lack of opportunity to engage in the process if absent from work (also applies to other long term absence)	Members of staff are being kept informed by a mixture of briefings from the Head of Service, emails from the Head of Service, and updates from managers at team meetings. Paper copies of key pieces of communication will be posted to home addresses where necessary. Formal consultation will include measures to ensure anyone with a disability has appropriate opportunity and support to participate. Staff on long term absence or sick leave will be consulted and kept informed.
Pregnancy and maternity	Lack of opportunity to engage in the process and or may be on maternity or adoption leave during transfer period	Members of staff are being kept informed by a mixture of briefings from the Head of Service, emails from the Head of Service, and updates from managers at team meetings. Paper copies of key pieces of communication will be posted to home addresses where necessary. Employees will be kept informed and offered opportunity to engage in the processes.
Other factors that may lead to inequality	Inequality may arise if the approach to programming venues or events does not proactively consider the wide range of equality issues.	The Council will require the Trust to undertake audience development activity, to research and consult widely with communities and cultures in the City to ensure programming is responsive, and audiences reflect the diverse population of the City. In particular, the Trust will be asked to consider ways to create better access to people on lower incomes.

**(d) Environmental Implications**

The project is estimated to have a low negative impact as the number of events held in the Guildhall is planned to rise, causing greater use of gas, electricity and water than at present.

**(e) Procurement**

The Council has considered the package of services carefully and taken both industry and legal advice on the future arrangements. An early options appraisal was conducted in the autumn of 2013 and this concluded the Council should establish a new trust (or not for profit distributing organisation) to run them. The rationale behind packaging the delivery of the services in this way was as follows:

- § The services are unusually diverse in their scope, scale and complexity and type of activity
- § The activities within the services (for example the marketing function and the box office) have significant levels of cross-staffing and other resource dependency

- § The services require significant levels of local fund-raising to be affordable and it is considered that these are more likely to be delivered by a local not for profit organisation than by a large profit making organisation remote from the City
- § The Council wishes to maintain a close link with the service provider in order for the Council to be able to influence the outdoor events programme - albeit at a high level
- § Publicity in the press and by the Council about the Council's proposals over the last 12 months has not given rise to any enquires about the proposed operation of the services.

The options which were discounted were:

- § Full or partial externalisation via a procurement exercise to the market
- § Merger with an existing NPDO or organisation
- § Retain part or all of the services in house

This appraisal was assessed by BWB and FEI as part of the phase 1 work on the Cultural Trust project and was re-appraised recently. On each occasion the consultants and solicitors supported the conclusion reached.

Given the nature of the services and the requirement for the service provider to raise substantial funding to maintain them, it is considered that there are no outstanding procurement implications.

#### **(f) Consultation and communication**

In addition to the working group, political briefings have been offered. Staff have been briefed by meetings and by email and have had the opportunity to comment and raise questions to both the head of service and the chair of the cultural trust. Regular briefings have been held with Trades Unions. Unison has undertaken a survey with the arts and recreation staff who will transfer. The responses and arising issues will be brought forward and addressed through the TUPE and staff consultation process. The Council has issued news releases to announce the recruitment and appointment of the Chair of the trust.

#### **(g) Community Safety**

Not applicable

### **5. Background papers**

- § BWB/FEI Business Plan CONFIDENTIAL: *By virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.*
- § BWB/FEI Business Plan summary CONFIDENTIAL: *By virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.*
- § Report to Community Services Scrutiny Committee 16.10.2014: Review of Outdoor Events

## **6. Appendices**

- A. Revised Cambridge Live budget summary
- B. EQIA

## **7. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

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