

CAMBRIDGE CITY COUNCIL

Record of Executive Decision

OUTCOME OF CAMBRIDGE LIVE REVIEW

Decision of: Councillor Smith Executive Councillor for Communities

Reference: 18/SPURGENCY/EnC/1

Date of decision: 20/12/18 **Recorded on:** 20/12/18

Decision Type: Key

Matter for Decision: Future of the Cambridge Live contract

Why the decision had to be made (and any alternative options): The Council has been working with Cambridge Live to review the organisation's business, and this work has now concluded. Both parties have agreed that the contracted services run by Cambridge Live should return back to the direct control of the Council. The decision is made in the best interests of the beneficiaries of these services, i.e local people and to ensure a successful and financially sustainable future for all cultural activity covered by the contract. An urgent decision had to be made as the operation of the contract was not meeting financial performance requirements and the Council and Cambridge Live needed to take steps to ensure business continuity.

The Executive Councillor's decision(s): To transfer services currently run by Cambridge Live back to the Council to be run directly by the authority
To recommend to Council that the 2019/20 budget be revised to make an allocation of £250k to be utilised for the transition.

Reasons for the decision: As set out in the briefing paper from the Strategic Director attached

Scrutiny consideration: The Chair of Environment and Community Scrutiny Committee was consulted prior to the action being authorised. The Chair agreed that under Special Urgency Procedures (9.4, Part 4B, Council Constitution) the decision could not be reasonably deferred.

Report: A briefing note from the Strategic Director explaining the reasons for the decision is attached.

Conflicts of interest: None

Item

CAMBRIDGE LIVE: OUTCOME OF REVIEW

To: Councillor Anna Smith, Executive Councillor for Communities

Report by:

Suzanne Hemingway, Strategic Director.

Wards affected: All

Key Decision

1. Executive Summary

1.1 The Council has been working with Cambridge Live to review the organisation's business, and this work has now concluded. Both parties have agreed that the contracted services run by Cambridge Live should return back to the direct control of the Council. The decision is made in the best interests of the beneficiaries of these services, i.e local people and to ensure a successful and financially sustainable future for all cultural activity covered by the contract.

2. Recommendations

The Executive Councillor is recommended to:

- 2.1 Transfer services currently run by Cambridge Live back to the Council to be run directly by the authority.
- 2.2 Recommend to the Council that the Council's 2019/20 budget be revised to make an allocation of £250k to be utilised for the transition.

3. Background

3.1 The Council decided to establish Cambridge Live (CL) in October 2014, in order to reduce the subsidy required to these services, provide a

sustainable financial and operational basis on which the services can thrive, and to manage and mitigate the increasing risk to the authority of continuing to provide the services directly. This decision was taken in a context not dissimilar from today, in which officers identified that “The risk profile for this area of activity is high, due ... financial volatility of the events and entertainment sector “ and that “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 The new model was established so that it could take advantage of operating efficiencies, cost savings and income generating opportunities and well as provide a more innovative and flexible environment in which cultural activity in Cambridge could thrive for the benefit of local people.

3.3 CL made progress in establishing the charity, expanding its business, establishing networks and relationships and reviewing the Folk Festival among many other achievements. However, launching a start-up is not without its risks particularly during the first few years of trading. As such, a joint review of the business plan was planned for 2017, midway through the first funding period.

The first phase of this work revealed a need for the Council to consider revised short term funding arrangements to CL and for CL to strengthen the financial management and governance of the charity. In June 2018, the Council agreed to support a turnaround with the following points:

- The Council should work with CL to put in place bespoke and stronger governance focused on a turnaround plan, for a time limited period;
- The Council would provide staged, time limited financial support, of up to £500k, to enable the charity to develop and then implement their new business plan.

3.4 Since then, officers have been working closely with CL. Despite the appointment of a new chair, a smaller Board, an interim Managing Director, and significant external advice, the charity has not been able to develop a viable business plan. Rather, the financial situation has worsened and the Council would have to provide further financial underwriting immediately and on an ongoing basis to enable the charity to return to a sustainable position. However, it would take a significant number of years to address this.

3.5 Accordingly, the Council has offered to support CL with a voluntary return of the Contract. Services will return to management directly by the Council. Detailed financial modelling work has been undertaken, and the Council has preparations in hand to affect a smooth transfer for services, staff and customers.

3.6 Short-term financial support of £750,000 (i.e. increase of £250,000 on the £500k funding already approved) will be required in 2018/19 and 2019/20 for:

- Prepare the services for transfer
- Re-integration into financial and IT systems at the Council
- Management and project capacity for the transition

3.7 The key advantages of this option are that:

- Surety of uninterrupted business and service continuity for staff and customers
- The Council has skills and previous experience of managing all of the services.
- The Council will have direct control of costs and staff
- All financial issues are addressed and assets are returned to the Council

3.7 The key issues are:

- The loss of the Charity, and benefits such as its charitable objectives, rate relief, cultural exemption, more flexible decision making, and facility for fund-raising
- The impact of reintegration on Council services, both on a one-off and ongoing basis, that requires extra resources from within the Council

3.8 Other option considered but not pursued

The other option pursued up until now has been that of supporting CL to continue. The advantages of this would be retention of charity and charitable benefits (and thus ability to access alternative sources of income) and retention of cultural exemption. However, whilst it is technically possible for CL to continue with an injection of funds, the charity is not in a strong enough position to affect the turnaround required.

If the Council does not intervene, there would be a real risk of Cambridge Live becoming insolvent. Insolvency would have an impact on services and customers for a significant period.

4. Implications

Financial

- The earmarked reserve of £500k already allocated to supporting the CL turnaround needs to be increased by £250k to ensure sufficient funding in place to cover the transition costs.
- On an ongoing basis, the financial model shows that the service can be sustainable assuming ongoing Council contributions to the service, equivalent to the contract fee (plus inflationary uplift) for the foreseeable future.

Implications for CL, services and staff: All staff and aspects of the Council's contract with Cambridge Live will transfer back to the Council and services will be managed under a revised staffing structure. There will need to be a minor restructure to ensure this is appropriate and fit for purpose within the Council and this will be dealt with under the organisational change policy.