



# Leisure and Cultural Services Assessment and Management Options Appraisal

Gloucester City Council

April 2022

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# Leisure Services executive summary and recommendations

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## Introduction and background

- 1 Gloucester City Council has commissioned The Sport, Leisure and Culture Consultancy (SLC) to complete an independent leisure services assessment and management options appraisal to understand the Council's options for future delivery of the services.
- 2 The Council owns two leisure centres, GL1 Leisure Centre and Oxstalls Sports Park that are managed by Aspire Sports and Cultural Trust, created in 2008 from the Council's previous in-house team. The contract is primarily based on a lease with the Council holding landlord responsibilities and does not contain a detailed services specification. The lease is scheduled to end in September 2023.
- 3 Prior to the global pandemic in financial year 2018/19 the management fee to/from Aspire was £ zero and the annual turnover of the two leisure sites was £2.59 million. Like all leisure services nationally, the service has required funding support from the Council supplemented by Sport England's National Leisure Recovery Fund through the three national lockdowns. Council support has included loans and deferring payments for utilities.
- 4 It should be noted that **this report uses data from financial year 2019/20**, before the full impact of the pandemic impacted on leisure services. This means that the financial assessment in particular provides a comparison of management options but does not reflect how leisure services finances may look going forward
- 5 Also, this work took place during the Council's recovery from a cyber incident and as a result it was not possible to extract all data regarding the service.

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## Strategic framework

- 6 The Council's current strategic framework for leisure shows that there is currently a gap between the Council's ambitions in the Gloucester City Plans and service delivery in the two leisure centres.
- 7 The new Gloucester City Plan (2021 -2024) represents a **significant opportunity** to re-position leisure services, so they contribute towards the new priority of addressing inequality, specifically health inequalities.
- 8 At present the Council does not have a strategic approach to leisure, sport and physical activity which informs its commissioning arrangements with Aspire. This would normally be in the form of a services specification which includes clear outputs and key performance indicators (KPIs).

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## How effective are the Leisure Services?

- 9 The current leisure contract and the Council's performance management framework does not contain any KPIs. As a result, there are no formal expectations from the Council regarding the level of community engagement with the service or the quality of delivery. Contractually, Aspire need to adhere to the terms of the lease. This means it is difficult to monitor the progress of the service.
- 10 Positively, Aspire offers a range of services and interventions which are focused on providing social value to Gloucester residents including the City's largest swimming and swimming lesson programme. In 2019, Aspire launched a Health and Wellbeing Hub in GL1 working with health

partners including Gloucester Community Wellbeing Team, the 2gether Trust (physiotherapists specialising in mental health services), and Gloucestershire Care Services NHS Trust (Macmillan Cancer Rehabilitation Specialists). Many councils are aspiring to develop similar hubs, but few have actually achieved this.

- 11 There are some significant issues with GL1 which need to be considered before the Council commissions future management arrangements:
- The building is starting to age and may need substantial lifecycle and maintenance costs going forward – the Council has not yet carried out an asset condition survey to identify future costs.
  - The offer at GL1 needs to be reviewed identifying potential to invest in re-purposing parts of the building to attract those not using the current facilities.
  - Parking is a significant weakness, and the Council needs to make affordable/free access for leisure users to existing car parks a priority.

- 12 When assessing the effectiveness of the service, it could be said that the service is providing significantly more social value than the Council has contractually asked Aspire to deliver.

- 13 The Council and Aspire have worked together effectively to keep the service running through the pandemic.

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#### How efficient are the Leisure Services?

- 14 The annual management fee as at 2018/19 was at £ zero and Aspire did not receive financial support from the Council. For centres with significant swimming facilities this represents a good outcome, particularly in the context of GL1 with its lack of parking and large footprint. However, it should be noted that this management fee was only made possible by Aspire supporting the service through its reserves.

- 15 Key financial efficiency ratios such as income recovery and the percentage of staff costs in relation to sales are what would be expected from a solid trust operation with the exception of management costs, which are proportionally high due to the lack of economies of scale associated with small leisure providers.

It should be noted that energy costs (heating and lighting) were £304K in 2019/20 for the Council's two centres. The current energy market could see increases of over 70% in future which means this is likely to have a significant adverse impact on the financial model in the future. GL1 is currently one of the most significant creators of carbon in the Council's asset portfolio.

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#### Management options appraisal

- 16 Three core management options have been considered:
- **Local Authority Trading Company (LATC).** This would be an arm's length' organisation set up by the Council to run the facilities and services. A LATC which is often referred to as a "Teckal" company. These companies do not have charitable status, but as not-for-profit entities are able to benefit from similar tax exemption benefits to a leisure trust.
  - **In-house management.** This approach is familiar to many local authorities and is often the baseline default position for comparison in an options appraisal. In the case of the Council, it involves the transfer back to in-house management after a previous outsourcing arrangement.
  - **Re-tendering the contract to a multi-site trust operator.** This is still the most common management approach amongst local authorities in England. This could include Aspire partnering with a Multi-Site Operator.

17 The Council wishes to understand what the likely outcome would be under current market conditions and assess whether the financial arrangements with Aspire offer value for money and are financially sustainable.

18 The Council, with input from SLC developed evaluation criteria for the options appraisal which include financial and non-financial criteria shown in Figures ES2 and ES3.

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#### Financial appraisal

19 SLC has undertaken a “shadow bid” of the three management options based on 2019/20 financial data. This provides a comparison of the potential costs of each management model but should not be used as an indication of service costs going forward.

20 The in-house model is likely to be the costliest because:

- There is potential loss of VAT exemption on leisure income due to the Council being close to its de minimis limit and unable to claim exemption on additional income, estimated at £254K per annum.
- Net loss in NNDR exemption benefit estimated at £250K per annum.
- There are additional employer pension costs as staff move to local government terms and conditions.

21 Procurement resulting in a multi-site trust operator would offer the least costly solution because:

- The multi-site trust operator would get the maximum VAT and NNDR relief.
- A multi-site operator would expect high income levels for health and fitness.
- Multi-site trust operators run on low management costs and overheads.
- Procurement savings on supplies and service.

22 A multi-site trust operator appointed through procurement would expect to draw profits from the contract.

23 There is the potential of Aspire partnering with a multi – site operator to combine local knowledge and expertise with economies of scale. This model has been successfully implemented in a number of contracts in England.
















24 The LATC is likely to offer a mid-range financial solution. It would benefit from VAT exemption and not be required to offer local government terms and conditions but would have comparatively high management costs and no NNDR relief.

25 Set up or procurement costs including officer time are estimated at £50K for in-house, £200K for LATC and £180K for competitive procurement.

26 Procurement of the contract to a multi-site trust operator is likely to require the least revenue support from the Council. However, this analysis does not take into account rising energy prices, increased staff costs due to post-pandemic shortages and reduced income levels as the service recovers from the pandemic. These post-pandemic factors apply to all management models. As a result, based on the existing service without investment there **is no prospect of the service running at zero subsidy or better in the future.**

27 Figure ES1 shows the financial appraisal based on the evaluation criteria agreed with the Council. Each has been graded Red (negative), Amber (neutral) and Green (positive).

Figure ES1: Leisure Financial Appraisal










Criteria	In-House	LATC	Procurement/Trust
Likely revenue cost or surplus of management model			
Degree in which the management model can provide financial certainty			
Degree to which the management model can provide commercial risk transfer			
The degree to which the management model can offer transfer of asset repairs and maintenance risk			
The degree to the management model may be able to access external funding.			

54 The high-level evaluation indicates that procurement to a multi-site trust operator will offer the most advantageous financial outcome with commercial and operational risk transfer. Through a leisure contract it is likely to offer some financial certainty although this would not include during the pandemic.










#### Non-financial appraisal

55 Figure ES2 shows the non-financial or social value appraisal based on the agreed evaluation criteria.

Figure ES2: Non-financial appraisal

Criteria	In-House	LATC	Procurement/Trust
Climate Change			
Wider Social Value			
Reducing Inequality			



Criteria	In-House	LATC	Procurement/Trust
Increase in inclusion and participation			
Socially responsible & empowering communities (partnership working)			
Innovation			

87 The non-financial and social value appraisal of the three management options is more balanced between the different models.

88 **Leisure services, as one of the Council's major contributors of carbon can play a significant role in the Council's climate emergency agenda.** Coupled with rising energy prices there is a major incentive for both the Council and its leisure operator to invest in technology to reduce emissions. This opportunity applies to all management models. Investment would need to be driven by the Council although a multi-site leisure operator may invest if it can gain return over the life of the contract.

89 All three management models have some potential to contribute towards wider social value and reducing inequality through training and employment opportunities, and the wider benefits of reducing health inequalities by getting people more active. For the LATC and leisure trust options this would need to be specified in the services specification. The in-house model could be more flexible but lacks the capacity of a multi-site leisure operator.

90 Each management model would be focused on increasing inclusion and physical activity participation providing, in the case of a LATC or multi-site leisure trust, this is set out in the services specification. Multi-site leisure operators normally have more marketing and digital communications capacity to help drive participation.

91 The in-house model would be better positioned to work in partnership with communities to enable them to have local physical activity opportunities run by themselves. However, may need to invest additional resources to make this happen.

92 A multi-site leisure trust operator would bring more innovation than in-house or a LATC. Larger operators have head office resources for product development, marketing, ICT and asset management. However, the leisure contract and services specification would need to be set up in a way that encourages innovation.

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#### Leisure options appraisal conclusion

93 Overall, procurement of a multi-site trust operator is the most advantageous management option for the Council. However, there is significant work to be done to make the service '*procurement ready*'. This includes addressing some of the service weaknesses including parking at GL1, undertaking asset condition surveys to help understand the whole life costs,

developing a strategic approach to leisure and a services specification which are focused on contributing towards narrowing health inequalities in the City.

### Soft market testing

SLC undertook soft market testing in December 2021 and received responses from eight multi-site trust leisure operators. The results of which are summarised in Figure ES3.

**Figure ES3: Soft marketing testing summary**



Despite challenges presented by COVID recovery, there remains a good level of interest from the multi-site trust leisure operator market in new contract opportunities, with operator actively bidding, or willing to explore potential new partnerships.

All operators expressed an interest in managing the portfolio of facilities.

Although the response was mixed, there is some appetite from the leisure operator market to integrate the leisure facilities and cultural facilities under a single management contract. This could bring synergies across the services and provide a joined-up approach to delivery.

There is strong consensus on the value of an outreach programme designed to help tackle inactivity and health inequalities in the wider community. All of the established leisure operators have experience in delivering such programmes.

In light of the pandemic, there is a clear requirement from operators that any new contract(s) will need to provide protection against future similar scenarios. The preference would be for the Sport England model contract to be used with the inclusion of a Change in Law Clause.

Most of the multi-site trust leisure operators confirmed they would accept full commercial risk from the start of the new contract, subject to there being suitable provisions in the contract (see above) and business continuing to recover over the coming months.

The general preference of multi-site trust leisure operators is that maintenance risk is shared with the Council.

### What are the challenges and opportunities for Leisure Services?

With the contract ending in September 2023 and the effects of the pandemic still impacting on leisure income, Aspire may need to explore partnering with a multi-site operator to enable them to bid for the new contract.

- 103 The Council lacks a full understanding of the condition of its two leisure centres and their future maintenance and lifecycle costs. These are needed to understand potential whole life costs before committing to a long-term management contract.
- 104 The long-term impact of the pandemic on leisure income is still uncertain. As of December 2021, nationally health and fitness income was at c. 74% of pre-Covid levels. Swimming however is recovering well with many leisure centres reporting that they are back to full capacity for swimming lessons. If there is long term behaviour change towards other forms of physical activity and health and fitness income does not fully recover this will have a major impact on the finances of many leisure contracts and the expectations of operators when bidding for contracts. Councils and operators may need to look at re-purposing leisure buildings, reducing the emphasis on health and fitness and providing alternative ways of getting people active.
- 105 GL1 is starting to age and in need of investment and possibly some re-purposing to make it more attractive to potential bidders and customers. The parking situation if unaddressed will inhibit any growth at the centre.
- 106 However, there are some significant opportunities for the Council to improve its leisure services both financially and in terms of delivering social value.
- 107 The Council's new priority focused on addressing inequalities presents a significant opportunity to re-focus leisure services on contributing towards narrowing health inequalities in the City. This will require a clear strategic approach to raising physical activity levels, particular for those groups that are inactive or have underlying health issues.
- 108 Whilst GL1 is starting to age, the size and nature of the building opens up opportunities for investment and re-purposing. A well-crafted investment strategy should deliver both an improved financial performance and more social value.
- 109 The two leisure centres represent a significant share of the Council's carbon emissions. There is potential to reduce this and mitigate against rising energy prices by investing in energy saving technology.

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#### Leisure Services recommendations

- 110 SLC has provided the following core recommendations based on the findings from the service assessment and management options appraisal. See Figure ES4.

#### Figure ES4: Core Recommendations

##### Recommendation 1

**The Council should adopt procurement of a multi-site leisure trust operator as its preferred management option. In order to become 'procurement ready' the Council should extend the tenure of Aspire by at least one year through a different arrangement that enables the Council to have more control over the service whilst it prepares for the procurement.**

This will enable the Council to develop a strategic approach to leisure and enable it to develop a new sustainable leisure contract, focused on narrowing health inequalities.



### Recommendation 2

**To enable the Council to prepare for procurement, it should work with Aspire to establish a financially sustainable, jointly agreed plan covering from now until the end of the contract. The plan could be in the form of a Partnership Delivery Plan (PDP) which includes:**

- Contract extension to at least September 2024
- A sustainable financial plan which clearly identifies the level of Council support taking into consideration Covid recovery monitored through open book accounting.

This will enable the Council to take back control of the service as it prepares for procurement.

### Recommendation 3

**The Council should develop a strategic approach for leisure that re-positions leisure towards contributing to narrowing health inequalities in the City. This should include a new performance management system that can be embedded into the new leisure contract.**

This will enable the Council to provide a more effective service.

### Recommendation 4

**The Council needs to understand the condition of its leisure facilities and their whole life costs for the next 10 – 15 years.**

This will provide visibility of the whole life costings of the leisure facilities.

### Recommendation 5

**The Council should review the client-side resources needed to initiate its plans to consolidate and transform leisure services.** This includes developing and managing a Partnership Delivery Plan with Aspire and preparing for the subsequent procurement.

### Recommendation 6

**The Council should continue to work with the University of Gloucester at Oxstalls Sports Park with a view to having co-ordinated management arrangements for the tennis centre and University facilities. This includes undertaking a joint procurement.**

This will enable development of a joined-up offer for residents at the sports park

## Implementation

- 120 Due to the need to secure management arrangements beyond September 2023, an indicative implementation timetable for the key recommendations is set out in section 7 of the main report.
- 121 This is based on commencing engagement with Aspire to develop a Partnership Delivery Plan as soon as possible, an extension of one year on the Aspire contract and a new leisure contract commencing in October 2024.
- 122 A high-level resource plan for delivering leisure transformation is provided in section 7.2.

# Cultural services executive summary and recommendations

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- 1 Gloucester City Council (GCC) has commissioned The Sport, Leisure and Culture Consultancy (SLC) to complete an independent high level service assessment and management options appraisal of its Cultural Services.
- 2 The Council's cultural venues, museum and events service are currently managed in-house through its Cultural Services department, they have been run in a traditional way for a number of years, undergoing little transformation during this time.
- 3 Cultural Services operations and management is principally focussed on three areas of activity:
- **Cultural Venues:** Gloucester Guildhall arts centre which incorporates a flexible 200-seat (400 standing) events space and a separate 70-seat single screen digital cinema. The mediaeval Blackfriars Priory leased by the Council from English Heritage, promoted as a hireable venue for functions and weddings
  - **Museum of Gloucester:** an accredited museum that tells the story of Gloucester's historic past. It also hosts small visual arts exhibitions and the Tourist Information Centre
  - **Events:** providing permissions and advice for organisers wishing to host events in parks or open spaces owned by the Council. The events team also promote manages and operate several festivals and events including; Gloucester Tall Ships Festival, Gloucester Goes Retro, Gloucester History Festival and the Bright Nights Festival. They also manage the City's Civic events.
- 4 Prior to the pandemic in 2019/20 the Council spent £978K on Cultural Services excluding capital and maintenance, most of which relates to the Museum and Guildhall.
- 5 It should be noted that this report uses data from 2019/20, before the full impact of the pandemic impacted on cultural services leisure services. This means that the financial assessment in particular provides a comparison of management options but does reflect how finances may look going forward. It does not reflect where the service is now as it recovers from the pandemic.
- 6 Also, this work took place during the Council's recovery from a cyber incident as a result it was not possible to extract all data regarding the service.

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## Strategic framework

- 7 Gloucester City Council's strategic plans have synergy with a world embarking on its post-Covid journey to recovery. A City vision is progressing from internal spaces of constrained cultural buildings in the 2020-2021 Plan to the external and potential of major impacts delivered in open spaces through high-profile cultural festivals and events as outlined in the 2021 – 2024 draft Plan.
- 8 The Plan prioritises festivals and events; not only to assist the city's economic regeneration, but its ability to achieve social value ambitions. The Gloucester Cultural Trust also acknowledges the social value of broadening the City's cultural offer and developing an engaging and innovative events and festivals programme.
- 9 The Council has only published a plan for one of Cultural Service's three core functions, a Museum Development Plan. However, the Plan has no detailed strategic objectives nor associated performance indicators.

10 There is a 'strategy gap' between the Council's ambitions for culture and what is delivered at the Guildhall.

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### How effective are Cultural Services?

11 As at 2019/20, the Council does not have performance data for cultural services that tracks progress against Key Performance Indicators (KPIs). Neither does it measure usage and utilisation of its cultural programmes. This means that it is not possible to fully assess how effective the services are against the Council's cultural ambitions.

12 Gloucester's cultural infrastructure may be judged historically as under-valued and under-developed. The City has only one cultural organisation - *Strike a Light* - supported with Arts Council England National Portfolio Organisation (NPO) funding. This may be further reflected in that Arts Council England (ACE) has identified Gloucester as one of 54 places across England in which its investment and engagement is too low, and therefore prioritising working with them from 2021 to 2024.

13 The City has good events spaces including Gloucester Quays, Kingsholm Stadium, and Gloucester Park. Kings Square will open in 2022 as a large public events space.

14 Gloucester's events programme features several Signature events: the biennial Tall Ships Festival & Triennial Three Choirs Festival. It also hosts events with potential for growth such as the Bright Nights Festival.

15 A new funding scheme for external event has been introduced for 2022 with strengthened eligibility criteria to better manage the funding application process and ensure that events are measured against Council plans.

16 The Museum of Gloucester is an accredited Museum with a collection of over 750,000 objects relating the City's history. The Museum became free admission in April 2019. From April 2019 to March 2020, the Museum of Gloucester attracted 84,079 visitors some of which relates to the Tourist Information Centre.

17 The 2019/20 Annual National Museum survey indicates that local visitors contributed £738,668 to the local economy and day visitors £3,288,843 giving a total estimated economic impact of visitors to the Local Economy of £4,027,510.

18 A new funding scheme for external events has been introduced for 2022 with strengthened eligibility criteria to better manage the funding application process and ensure that events are measured against Council plans.

19 The buildings managed by Cultural Services, particularly the Guildhall have significant physical drawbacks and limitations:

- The frontage of the building lacks public presence
- The auditorium's small seating capacity places most mid-range touring acts' fees out of reach with box office splits unattractive for performers
- Additionally physical deficiencies such as lack of stage wings or for flying flats constrain its programming and reduces its ability to attract either professional or amateur performing arts companies.

20 In 2019/20, Gloucester Guildhall sold 23,515 tickets for 63 shows at its live events programme, and 10,603 tickets for 581 film screenings in the cinema.

21 Officers report that audiences that use the Guildhall place great value on it as a cultural asset.

- 22 The new Guildhall leadership has recognised the requirement for a more diverse and exciting programming policy that needs to be tailored to Gloucester residents. This includes making greater use of the sprung floor to create a new dance programme strand.
- 23 There are investment plans for expanding the Guildhall main hall's bar servery to achieve both greater efficiency and generate higher bar sales. There are also plans to reduce cinema daytime screenings and the café hours to reduce costs.
- 24 The Cultural Service's offer plays a role in creating social value, supporting wider community benefits such as social cohesion, engaging diverse audiences and contributing to health and well-being. However, there is a lack of data to fully demonstrate how effective its interventions are.

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#### **How efficient are Cultural Services?**

- 25 In 2019/20 the Council had a net spend of £978K on Cultural Services. This equates to a subsidy of 46% as percentage of gross turnover. This figure compares to an average subsidy of 8.4% by Local Authorities for Arts Council England (ACE) clients.
- 26 The most significant element of the Council's investment is staffing - which cost £684K in 2019/20. This is equal to 102% of their earned income (sales). This ratio is high for any customer facing service.
- 27 The Council's investment in the Guildhall is equivalent to a subsidy of £19.60 for each ticket sold to the public. This is greater than the Guildhall's average net ticket price of £15.26.
- 28 The Council's investment in the Gloucester Museum is equivalent to a subsidy of £5.37 per visitor.
- 29 The Museum of Gloucester generates only £85K in self-earned income which is significantly less than ACE museum clients in England that on average generate £3 of income for each £1 of public sector grant received.
- 30 This data reflects the nature of the cultural buildings and not the management arrangements. Cultural Services cannot make significant improvements without transformation and reducing the reliance on ageing, inefficient buildings.

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#### **Challenges for Cultural Services**

- 31 We have identified some key questions and challenges for the Council regarding its cultural services:
- Will Council funding remain focussed on costly and limited physical facilities?
  - Is it possible to significantly improve their viability?
  - How will its current services recover from the pandemic? Will there be permanent increases in cost such energy and staff and will income ever return to pre-pandemic levels?
  - Can Cultural Services be transformed to capitalise on outdoor spaces for cultural engagement and growing impactful events?
  - Is there a shift of resource needed towards cultural activities that can help the City gain bigger and better social, community engagement and economic impacts achieved through major events?
  - Should role of Cultural Services be as an enabler, and provide leadership to a growing cultural sector working across the City?

- How best can the Service access new income streams?
- What should the relationship between the strategically tasked Gloucester Cultural Trust and the Council's Cultural Services which are the City's asset based direct cultural deliverers.

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### **Management options appraisal**

32 Three core management options have been considered:

- Local Authority Trading Company (LATC). This would be an arm's length' organisation set up by the Council to run the facilities and services. A LATC which is often referred to as a "Teckal" company. These companies do not have charitable status, but as not-for-profit entities are able to benefit from similar tax exemption benefits to a leisure trust.
- In-house management. This approach is familiar to most local authorities. Cultural Services in Gloucester have always been managed through this approach.
- Tendering a contract to a multi-site trust operator. Some authorities have done this for cultural services although this is normally part of a package of services including leisure which tends to be the main interest of trust operators.

33 Several local authorities have transferred cultural assets to local trusts or community groups but at this stage there are no such local organisations capable of taking on cultural building such as the Museum of Gloucester and Guildhall.

34 The Council, with input from SLC developed evaluation criteria for the options appraisal which include financial and non-financial criteria shown in Figures ES7 and ES8.

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### **Financial appraisal**

35 SLC have undertaken "a shadow bid" of the three management options based on 2019/20 financial data shown in Figure ES5. This provides a comparison of the potential costs of each management model but should not be used as an indication of service costs going forward.



Figure ES5: Management Models - Financial Comparison

Cultural Services Shadow Bid	2019/20 Actual	LATC	Procurement
Guildhall/Blackfriars Income	£586,094	£586,094	£586,094
Guildhall Expenditure	-£1,046,934	-£1,046,934	-£1,046,934
Guildhall/Blackfriars Deficit	-£460,840	-£460,840	-£460,840
Museum Income	£77,838	£77,838	£77,838
Museum Expenditure	-£528,983	-£528,983	-£528,983
Museum Deficit	-£451,145	-£451,145	-£451,145
ShopMobility Income	£20,760	£20,760	£20,760
ShopMobility Expenditure	-£86,557	-£86,557	-£86,557
ShopMobility Deficit	-£65,797	-£65,797	-£65,797
Baseline Operational Subsidy	-£977,782	-£977,782	-£977,782
KEY DIFFERENCES:			
Medium Term Staff Pension Savings	£0	£68,492	£68,492
NNDR Savings*	£0	£0	£12,000
Other Expenditure Savings	£0	£0	£21,467
Operator Profit	£0	£0	-£54,775
SubTotal	£0	£68,492	£47,184
TOTAL PROJECTED SUBSIDY/SURPLUS	-£977,782	-£909,290	-£930,598
Indicative Set Up/Procurement Costs	£0	£200,000	£180,000

36 The financial analysis indicates that there is no significant difference between the projected financial outcomes of the three financial models.
















37 This differs to leisure services where there are significant differences because:

- NNDR savings are minimal for a trust operation because cultural buildings already benefit from special exemptions for NNDR.
- VAT exemption has much less impact on cultural services due to lower income levels and activities that qualify for VAT exemption. The Council will already be benefiting from any exemptions on income and expenditure.
- Whilst there may be staff savings in the long term as new recruits move onto non-local government terms and conditions this will take time to implement through staff turnover. However, this is from a baseline of the current staff costs due to TUPE.
- A multi-site trust operator may be able to make procurement savings on supplies and services, but this will be more than offset by any profit or surpluses taken.
- Crucially, it is unlikely that a multi-site trust operator would see the potential to improve the income of the services (in particular the Guildhall) due to the condition and limitations of the buildings.

38 Additionally, there are set up or procurement costs for a LATC or procurement which are estimated at £200K and £180K respectively including legal, external consultant, project management and dedicated client resources.

39 Figure ES6 shows the financial appraisal based on the agreed evaluation criteria. Each has been graded Red (negative), Amber (neutral) and Green (positive).

**Figure ES6: Financial Appraisal – Cultural Services**

Criteria	In-House	LATC	Procurement/Trust
Likely revenue cost or surplus of management model			
Degree in which the management model can provide financial certainty			
Degree to which the management model can provide commercial risk transfer			
The degree to which the management model can offer transfer of asset repairs and maintenance risk			
The degree to the management model may be able to access external funding.			

40 All three management options will result in the services running at a significant subsidy. Due to the nature of the museum and Guildhall a trust operator is unlikely to see any potential for increased income generation.

41 Although it may be possible through a contract with a trust to have more certainty on future finances and transfer commercial risk this would be on the basis of a management fee similar to the current subsidy.

42 Similarly, a contract with a multi-site trust operator may offer some transfer of reactive repairs and maintenance risk but they would build in the risks associated with the condition buildings into their financial model.






















43 All three management options would be eligible for external funding although a trust model would be more attractive to some funders as opposed to providing grants to the Council or a LATC.

In short, there are no significant financial or risk transfer differences between the three different management models for Cultural Services.

**Non-financial appraisal**

Figure ES7 provides a summary of the non-financial appraisal or social value for Cultural Services.

**Figure ES7: Non-financial appraisal**

Criteria	In-House	LATC	Procurement/Trust
Climate Change			
Delivering wider Social Value			
Reducing Inequality			
Increase in inclusion and participation			
Socially responsible & empowering communities (partnership working)			
Innovation			
Sustainable City developing distinctive high quality cultural projects, festivals and events in the City.			

Most of the assessment against the criteria indicate that the management model is neutral (amber).

The Guildhall and Museum are large buildings which require significant expenditure on energy for heating and lighting. In 2019/20 the cost of energy was £71K (including Blackfriars). As such, there is potential to utilise energy saving technology to reduce consumption and carbon emissions, contributing towards the Council’s climate emergency agenda. This applies equally to all management models and the investment would need to come from the Council.

A larger multi-site trust operator is likely to be able to offer wider social value than a LATC or in-house as they may have connections with other cultural services and be able to offer better training, volunteering opportunities etc. Volunteers are more likely to support a trust rather than the Council.

The Council has a good understanding of its local communities in the City and be able to work partnership with existing partners to improve local cultural services opportunities.

The assessment of each cultural management options indicates that there is no significant difference between the three management models from a non-financial perspective. Changing the management model alone is unlikely to improve financial or social value outcomes from Cultural Services on behalf of residents.

- 51 Changing the current in-house management model, at this stage, to a LATC or trust is unlikely to result in any improvements to finances or social value. To achieve this the Council needs to undertake transformation and review whether its current focus on cultural buildings, which require considerable revenue funding is the most effective and efficient way to deliver its ambitions for culture in Gloucester.
- 52 Transformation will be better undertaken through an in-house management model where the Council has complete control over the services, without the barriers and complexities of contractual arrangements with a partner operator.

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### Recommendations

- 53 SLC has provided recommendations for Cultural Services based on the service assessment and management options appraisal. See figure ES8.

### Figure ES8: Cultural Services Recommendations

#### Recommendation 1

**The Council should retain its current in-house management arrangements for Cultural Services and focus on service transformation.**

This will enable the Council to have the flexibility and control needed to transform services.

#### Recommendation 2

**The Council should complete a thorough strategic review of its Cultural Services. The review should identify options for transforming the service and how to maximise social value from its revenue and capital resources including challenging its current approach focused on cultural buildings.**

This will enable the Council to review the cultural offer in the City as whole, and decide where it can most effectively develop and enhance cultural opportunities for visitors and residents with the resources it has.

#### Recommendation 3

**The Council needs to understand the condition of its Cultural Services buildings and their whole life costs for the next 10 – 15 years.**

#### **Recommendation 4**

**The Council should develop a suite of KPIs that help understand the usage of cultural services, the levels of resident and visitor engagement and subsidy levels for particular programmes.**

This will enable the Council to understand about the effectiveness and efficiency of the current cultural offer and provide information to target service transformation.

#### **Recommendation 5**

**The Council should explore alternative uses and tenants for the Guildhall**

This could improve the usage of the building and release significant revenue funding for transforming cultural services.

#### **Recommendation 6**

**The Council should explore ways of growing its successful events and festivals programme.**

This could potentially lead to higher levels of engagement with residents and visitors contributing towards a more vibrant city centre.

#### **Recommendation 7**

**The Council should explore establishing a development fundraising trust for Cultural Services. Initially, this could be for the Museum of Gloucester.**

This will enable the Council to access funding which it is currently not eligible for.