

North Lanarkshire Council Report

Education and Families Committee

approval noting

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CultureNL Ltd: 2018/19 Operational Performance Monitoring - Quarter 2 and Financial Performance to 12 October 2018

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Executive Summary

This report summarises CultureNL's operational performance during the period 1 July to 30 September 2018 (Quarter 2). Service delivery highlights are included along with performance against previously approved performance indicators, demonstrating where the charity is delivering against its business and charitable objectives and the Services Agreement with North Lanarkshire Council. The report also details CultureNL's financial performance against its approved 2018/19 revenue and capital budgets as at 12 October 2018. An update on the current status of activity to integrate NL Leisure Ltd within CultureNL Ltd to provide a single entity for the delivery of cultural, sports, leisure and related activities is also provided.

Recommendations

The Education and Families Committee is requested to:

- 1) Note CultureNL's operational performance in the period 1 July to 30 September 2018;
- 2) Note CultureNL's financial performance against its approved 2018/19 revenue and capital budgets as at 12 October 2018;
- 3) Note the current status of activity to deliver cultural, sports, leisure and related activities through a single, integrated entity with effect from 1 April 2019; and,
- 4) Identify areas of activity for further detailed reporting and consideration at future meetings of the Education and Families Committee.

Supporting Documents

Council Plan	CultureNL Ltd supports all five of the Council's priorities.
Appendix 1	Operational Performance for the Period 1 July to 30 September 2018 (Quarter 2)
Appendix 2	Financial Performance to 12 October 2018
Appendix 3	Balance Sheet
Appendix 4	Cashflow to 31 March 2019

1. Background

- 1.1 CultureNL was established in 2013 to deliver and develop cultural and related services on behalf of the Council. The Council's objectives in establishing CultureNL were to secure tax efficiencies, improve access to external funding, sustain and promote arts and cultural activities and reach new audiences. Today CultureNL delivers a diverse programme of cultural activities, events and learning experiences for a wide range of customers, communities and visitors to North Lanarkshire. Managing an extensive number of sites and facilities across North Lanarkshire, CultureNL is responsible for libraries, entertainment venues, community arts, museums and heritage, community facilities and associated catering, cleaning and caretaking functions on behalf of the Council.
 - 1.2 Registered as a charity in March 2013, CultureNL's charitable objectives include advancing public participation in cultural activities, furthering education and learning opportunities, providing facilities for cultural activities, ensuring that cultural opportunities in North Lanarkshire are affordable and accessible and advancing citizenship and community engagement.
 - 1.3 CultureNL is a company limited by guarantee and managed by a Board of up to 13 Directors comprising: 6 partner directors nominated by North Lanarkshire Council; and, 5 independent directors recruited through a formal selection process. The company's Articles of Association also make provision for a trade union director to be appointed by the recognised trade unions and an employee director appointed through a ballot of CultureNL's employees.
 - 1.4 North Lanarkshire Council is required to approve the appointment of the partner and independent directors.
 - 1.5 Directors are responsible for ensuring that the company delivers against its business and charitable objectives and the Services Agreement in place with the Council. The Board meets bi-monthly to fulfil its governance responsibilities which include business planning, operational service delivery and management, staffing, financial control and reporting, health and safety, performance monitoring and reporting and risk management.
 - 1.6 Members are aware that CultureNL has been working with the Council and North Lanarkshire Leisure Ltd to examine the impact that a single delivery vehicle for cultural, sports and leisure services could have on the Council's longer term cost effectiveness and ambitions. This review activity concluded with the Policy and Resources Committee agreeing in September last year that an integrated delivery model could make a positive impact on the provision of cultural, sports and leisure services and thereafter agreeing that CultureNL Ltd should be retained as the legal entity and charity responsible for delivery of these integrated services on behalf of the Council.
 - 1.7 It was further agreed that establishing a Programme Board, with representation from each of the existing charitable Boards, would be the most effective way forward in developing and implementing the integration arrangements. This Programme Board is now in place and working towards effective implementation of the integrated organisation.
 - 1.8 An updated performance reporting framework for the integrated entity, comprising both CultureNL and NL Leisure, will be submitted to this Committee for consideration at a future meeting.
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2. Report

- 2.1 CultureNL's operational performance is reported quarterly to the Council. In determining this frequency the former ALEOs and External Bodies Monitoring Sub Committee was mindful of the scale and range of frontline services delivered by CultureNL and the level of revenue funding allocated by North Lanarkshire Council through the annual management fee.
- 2.2 Appendix 1 provides details of CultureNL's operational performance in Quarter 2 (1 July to 30 September 2018) against a series of indicators developed in discussion with the charity. The 2018/19 targets and performance thresholds are informed by analysis of performance in recent years and reflect the impact of previously approved decisions by CultureNL's Board to withdraw services from a number of facilities as part of required efficiency exercises. The performance reporting format, as set out in Appendix 1, is fully aligned with similar reports considered by CultureNL's Board providing an assurance that Directors monitor indicators and trends closely to identify growth areas and/or areas where performance has dipped and requires to be addressed.
- 2.3 Given the scale, nature and diversity of CultureNL's business, there are many aspects of service delivery which do not lend themselves to being reported through performance indicators. Accordingly, service delivery highlights are reported on a six monthly basis to illustrate where the charity is contributing to the Council's wider ambitions.
- 2.3.1 ***Support all children and young people to realise their full potential***
- In August CultureNL's Community Arts team began working with St Timothy's Primary School in Coatbridge on a multi-arts project supported through the Pupil Equity Fund. Music, drama and visual arts activities are being delivered to the entire school over three days each week and initial feedback from pupils and staff has been very positive with the arts staff also reporting high levels of enthusiasm and creative skills amongst the pupils.
- 2.3.2 ***Improve the health and wellbeing of our communities***
- Additional space has been made available in Bellshill Cultural Centre for the MacMillan drop-in service in response to the high numbers of people attending. The service has extended its hours to include a Friday, resulting in a drop in service now being available for people affected by cancer every day of the week. Private space is available where service users can discuss any concerns with project volunteers. A Volunteering Development Group is in place to plan, drive and embed volunteering within the Cancer Information Support Service and help to ensure its long term sustainability.
- 2.3.3 ***Improve the ability, participation and empowerment of our communities***
- Following the success of the SHIFT project and performances delivered in partnership with the National Theatre of Scotland, an adult community drama company has been established. CultureNL's Performing Arts Officer has delivered a series of improvisation, characterisation and performance techniques' workshops over eight weeks. The community drama company demonstrates how lasting legacies and benefits can be delivered within North Lanarkshire through innovation and partnership with national bodies and wider cultural activities.
 - The library team held a "Big Day Out" at Summerlee on 25 August 2018 with author, theatre and storytelling activities for adults and children. Information

was available on: digital services including e-books and BorrowBox; Macmillan Cancer Support; and, 2 mobile libraries parked on site allowed participants to join the library and immediately borrow books. This event allowed libraries to engage with members of the public who may not already visit their local library, with over 1,200 people visiting the Big Day Out.

- CultureNL's libraries ran their first reading challenge for adults over the summer – "The Great Bookish Menu." Participants were encouraged to read a total of six books over six weeks and were further challenged in that they were restricted to specific themes – e.g. a classic novel; a book translated into English from another language; and, a book shortlisted for an award in the past 5 years. 180 adults signed up and the 62 participants who completed the challenge were invited to attend a celebratory afternoon tea at Summerlee, coinciding with the libraries' Big Day Out above.

2.3.4 **Improve North Lanarkshire's resource base**

- Development of the museum service's new website is in its final stages and due to be launched early this year. This will allow browsers to explore the museum collection including 3,500 digitised exhibits, captions, stories and audio visual materials. The new website will increase access to CultureNL's collections and encourage actual museum visits.
- Stanrigg Memorial Committee have gifted a pocket watch and medal, originally awarded to John McCabe for his actions in rescuing coalminers and helping to save 58 lives during the Stanrigg Colliery disaster in 1918, to the museum service. The presentation took place on 28 September 2018 at Summerlee and was officiated by the Provost with elected members, MSPs and CultureNL's directors attending.

2.4 CultureNL's Services Agreement with the Council requires the charity to provide a quarterly report and analysis on the numbers of complaints, compliments and comments received. Customer feedback for Quarter 2 is provided below.

Service Area	Quarter 2		
	Complaints	Compliments	Comments
Creative Services	3	6	0
Libraries & Log in to Learn	44*	2	4
Museums & Heritage	0	0	0
Community Facilities	8	1	0
Catering	5	5	5
Total	60	14	9

*Although logged as Complaints, these all relate to Chryston Library being closed over the Christmas period for health and safety reasons linked to the unavailability of janitor cover within the school.

3. **Equality and Diversity**

3.1 **Fairer Scotland**

3.1.1 There are no matters which require consideration under the Fairer Scotland Duty.

3.2 **Equality Impact Assessment**

3.2.1 There are no matters in this report which require an Equality Impact Assessment.

4. Implications

4.1 Financial Impact

Public Accountability Obligations – Financial year 2018/19

- 4.1.1 To satisfy the Council's duty to ensure the organisation delivering cultural and related services on its behalf is financially sound, the Council's Section 95 Officer maintains appropriate and proportionate processes and procedures for scrutinising CultureNL's financial performance.
- 4.1.2 The Council's legal Agreements with CultureNL specify the financial information which the charity must submit to the Council including an annual business plan, monthly management accounts, audited financial statements etc., to enable Financial Solutions to assess and report any financial risk likely to arise as a result of the Council using CultureNL to deliver these services.
- 4.1.3 The Council expends both revenue and capital resources annually with CultureNL to deliver services which assist the Council in achieving its priority outcomes. For financial year 2018-19, the current Council approved revenue spend equates to £12.363m (management fee £12.307 and £0.056m to the Community Interest Company [CIC] for the catering function). Capital spend of £0.429m is also approved. The Council has a duty to ensure this money is being properly used to deliver both the Council and CultureNL's key objectives.
- 4.1.4 Members will wish to note that the Council's 2018-19 revenue contribution of £12.363m represents 69% of the organisation's budgeted income of £18.047m, with the balance of income of £5.684m being generated through other charitable and trading income.
- 4.1.5 The Council's capital contribution is intended to assist the charity in delivering improvements in Council properties managed by the charity and other investment projects, which assist in securing and sustaining many of the facilities. This sum represents 100% of CultureNL's planned capital investment.

Financial Performance to 12 October 2018

- 4.1.6 Based on their financial statements to 12 October 2018, Culture NL is projecting a surplus of £0.015m against a breakeven budget. This relates to an under spend against budget of £0.058m by CultureNL offset by an over spend against budget of £0.043m in relation to the CIC (Catering function).
- 4.1.7 The CIC Business Units are budgeted to breakeven following a contribution of £56,461 from North Lanarkshire Council. As noted above the Catering function is projecting a forecasted loss of £0.043m, which is largely due to a projected under recovery of income of £0.061m, coupled with an over spend in employee costs of £0.016m, partially offset by an under spend in supplies and services of £0.034m. Management action continues to identify a range of measures to improve this position. Further high level details on financial performance are given at Appendix 2.

Overall Financial Standing as at 12 October 2018

- 4.1.8 Members should note a detailed cash flow and balance sheet as at 12 October 2018 are not reported to CultureNL Board. However, during the Council's

financial review process, CultureNL provided a projected cash flow to 31 March 2019 and an extract of the balance sheet as at 12 October calculating the current asset to current liability ratio. These are given as Appendices 3 and 4.

Key balances worthy of specific note include:-

- a) An average projected cash balance of £5.256m is anticipated between the 12 October 2018 and 31 March 2019 which does not include redundancy costs estimated to be £300,000 as the timing is uncertain; and
- b) A healthy ratio of current asset to current liabilities of 1.7:1 as at 12 October 2018 was provided. This is a measure of whether a company has enough resources to pay its debts. Values less than 1 indicate a company may have difficulty meeting current obligations. Therefore members should be assured the company has positive liquidity.

Capital Programme

- 4.1.9 The Capital Budget allocated to CultureNL for 2018/19 equals £0.429m. This is split across the following project categories: Community Facilities – Fire Safety and Condition Survey Works £0.270m; Museums and Arts – Air Conditioning Unit £0.144m; and, Libraries £0.015m. Currently spend against budget is reported as being on target.

4.2 HR/Policy/Legislative Impact

- 4.2.1 There are no HR, policy or legislative impacts arising from this report

4.3 Environmental Impact

- 4.3.1 There are no environmental matters requiring consideration by members at this time.

4.4 Risk Impact

- 4.4.1 CultureNL has established risk management arrangements and the Board of Directors has overall responsibility for ensuring that the Risk Register is in place and adequately maintained and updated. During the transition period and the integration of cultural, sport, leisure and related services, Culture NL has included potential risks arising from the integration within its top five risks. These risks and the controls that are in place are summarised below:

Risk	Controls in place
Impact of merger and or external factors on cultural services	Transition Plan in place; Business Plan to be developed post-merger; and, ongoing monitoring will be undertaken to identify any issues as they emerge and address these.
Failure of e-systems including ICT networks	Business Continuity Plan in place for all systems; and, Service Level Agreement in place with NLC for ICT provision.
Failure to adhere to Health and Safety policy/ instruction	Health and Safety Group in operation; Service Level Agreement in place with NLC Health and Safety; Health and Safety manual updated; CIRIS in place; and, staff training, including specialist training undertaken.
Reduction in management fee and failure to	Management action to address required savings; and, continuous financial monitoring.

Risk	Controls in place
implement/achieve associated efficiency savings effectively	
Financial risks associated with catering option	Operational changes to ensure efficient and competitive service; improved menu choices; and, promotion of key venues.

4.4.2 The Audit and Governance Sub Group (which generally meets quarterly or six monthly) takes responsibility for reviewing risks and escalates any risk issues where required. The Chief Executive and relevant managers undertake any specific or necessary actions to manage and mitigate the impact of identified risks.

4.4.3 Public facing risks are highlighted within CultureNL’s Risk Register which was updated to reflect the new GDPR (General Data Protection Regulation). Separate risk registers are developed for major projects and policies and procedures are in place to deal with specific risks – e.g. risk of bomb or terrorist threat at venues or a major event. Health and Safety risk assessments are undertaken and an active Health and Safety Sub Group reports to the Board.

5. Measures of success

5.1 CultureNL continues to deliver a wide and varied programme of cultural and related activities from facilities and venues across North Lanarkshire. Performance against the identified indicators is generally strong and consistent, with the charity exceeding expected targets in four areas, and on-target in five indicators. The two areas where performance has dipped, both against projected targets and the comparable period in 2017/18, are:

- Number of people engaging in museum learning experiences: and,
- Total number of people attending bookings in community facilities.

5.2 While performance in the museum learning experiences indicator is expected to recover, attendances at bookings in community facilities is impacted by previously approved decisions to withdraw services from a number of facilities. CultureNL’s Board of Directors will continue to monitor this indicator closely to identify and address any further deterioration and may review the target accordingly. Notwithstanding this, CultureNL continues to fulfil its charitable objectives and contributes to the Council’s priorities through the advancement of education and learning opportunities, provision of cultural activities, support for participation and community engagement and ensuring that activities are affordable and accessible.

5.3 This report provides members with information in relation to CultureNL’s operational and financial performance in furtherance of the Committee’s remit, *“To plan, set targets for and monitor the performance of all services including those delivered through partners and outside bodies...”* and demonstrates where the charity is supporting delivery of the Council’s priorities and meeting continuous improvement expectations.



Head of Business Solutions

CultureNL Ltd: Operational Performance for the Period 1 July to 30 September 2018 (Quarter 2)

Area of Activity	Indicator and Frequency	Target Outcome/Purpose	2018/19 Target	2018/19		Variance +/-	2017/18 Comparison		
				Q2 Actual	YTD Actual		Q2	YTD	
Improved economic opportunities and outcomes									
All	Number of Modern Apprenticeships (Annual)	CultureNL will continue to employ Modern Apprentices and also seek to employ specialist externally funded trainee posts	4 (Annual)	4	4	+/-1 Blue	4	4	Target exceeded with Modern or Creative apprentices employed across the organisation.
Comm'ity Facilities	Number of private sector business units let (Quarterly)	Support business growth and development by letting commercial premises in Cumbernauld Community Enterprise Centre	4 (per quarter)	8	8	+/-1 Blue	4	4	Target exceeded with 8 business units let at Cumbernauld Community Enterprise Centre
Improving the health, wellbeing and care of communities									
Creative Services	Number of customers engaging in community arts activities (Quarterly)	Increase opportunities for people to develop skills to improve life chances and engage in cultural activity	25,000	6,757	12,822	+/-10% Blue	4,088	10,112	The community arts target is exceeding the anticipated target and threshold due to a strong weekly programme of activity, plus delivery of a daily arts programme in St Timothy's Primary School, Coatbridge, funded via the Pupil Equity Fund.
			Q1 6,000						
			Q2 4,500						
			Q3 7,500						
			Q4 7,000						
Creative Services	Attendance at events at CultureNL	Increase income levels and increase participation in cultural and arts activities	208,000	29,959	86,391	+/-10% Green	31,271	88,163	Q2 is slightly down on the same quarter last year. This can be partly explained by production seating capacity limits on some large hires
			Q1 50,000						
			Q2 34,000						
			Q3 81,000						

Area of Activity	Indicator and Frequency	Target Outcome/Purpose	2018/19 Target		2018/19		Variance +/-	2017/18 Comparison		
					Q2 Actual	YTD Actual		Q2	YTD	
	venues (Quarterly)		Q4	43,000						within the Concert Hall. Highlights include the sell-out Scottish Opera production, "Bambino O", the Beer Festival and a well received performance of a <i>Take That</i> tribute show.
Libraries	Number of visits to libraries per 1,000 population (Quarterly)	Increase opportunities for people to develop skills to improve life chances and engage in cultural activity	5,000		1,228	2,506	+/-10% Green	1,260	2,495	The summer reading challenges, running alongside a wide variety of summer events, has contributed to performance in Q2 remaining within the target.
			Q1	1,250						
			Q2	1,250						
			Q3	1,250						
			Q4	1,250						
Libraries	Number of digital users of library services as a % of population	Increase opportunities for people to develop skills to improve life chances and engage in cultural activity	27%		27.7%	27.3%	+/-10% Green	25.02%	25.29%	Continued high demand for access to pc resources across libraries, combined with robust online engagement through social media platforms, has enabled the indicator to remain within the threshold.
Museums	Number of people engaging in museum learning experiences (Quarterly)	Increase opportunities for people to develop skills to improve life chances and engage in cultural activity	40,000		7,453	19,717	+/-10% Red	12,745	26,498	Reduction in available staff hours has impacted on the number of learning visits, however, it is expected that the next quarter will be on target.
			Q1	13,000						
			Q2	14,000						
			Q3	6,000						
			Q4	7,000						
Museums	Total number of usages of CultureNL museums & heritage facilities & resources	Increase opportunities for people to develop skills to improve life chances and engage in cultural activity	Actual Visits		Total = 135,794		+/-10% Blue	218,707	402,266	This period covers the school holidays which is a traditionally busy time and the summer programme was boosted by National Play Day, the annual Steam Fair and other smaller activities, alongside themed summer exhibitions. The Q2 and YTD figures show the combined total for actual and online use on CultureNL's museum and heritage
			Q1	95,000	135,794	258,698				
			Q2	100,000						
			Q3	65,000						
			Q4	55,000						
			Online Visits							
			Q1	90,000						
			Q2	100,000						
			Q3	65,000						
			Q4	40,000						

Area of Activity	Indicator and Frequency	Target Outcome/Purpose	2018/19 Target		2018/19	Variance +/-	2017/18 Comparison			
			Q2 Actual	YTD Actual			Q2	YTD		
Comm'ity Facilities	Total number of people attending bookings in community facilities (Quarterly)	Support community participation	985,000		175,137	421,180	+/-10% Red	215,585	512,004	Given the changes made to operation of facilities, this target may require to be further reviewed. A slight reduction in social functions during the quarter, due to term time operation, may be impacting on attendance.
			Q1	290,000						
			Q2	215,000						
			Q3	250,000						
			Q4	230,000						
All	Energy efficiency (Annual)	Increase efficiency, contribute to Green agenda and save money	£8,000		Reported annually at year end	N/A	£8,000 through a number of efficiency measures		N/A	

Financial Performance to 12 October 2018

Income & expenditure	2018/19 Annual Budget £m	2018/19 Projected Outturn £m	Variance £m	Commentary
NLC Management Fee (Including C.I.C Business units contribution)	12.363	12.363	0.000	
Income generation	3.779	3.677	(0.102)	Due to an under recovery in libraries of £45k, Community facilities of £60k, Museums of £31k, offset by an over recovery on income in Creative services of £34k
Trading Activities (Catering, C.I.C Business Units)	1.889	1.828	(0.061)	Under recovery relates to Catering Income
Investments	0.016	0.016	0.000	
Total Incoming Resources	18.047	17.884	(0.163)	
Expenditure on:				
Employee Costs	11.090	11.060	(0.030)	Under spend in libraries and Museums of £119k due to vacancies, partially offset by an overspend in Community Facilities of £38k as a result in the delay of a new operating model, an over spend in creative services of £35k and an over spend in the catering function of £16k
Property Costs	3.090	3.009	(0.081)	Principally due to underspend in Janitors overtime of £24k, uplift of waste £14k and curtailment of non-essential expenditure of £40k to mitigate the over spend in Community Facilities employee costs and noted above.
Supplies & Services	3.092	3.047	(0.045)	Under spend in libraries £20k, Catering £26k and Support Services £9k offset by an over spend in Creative Services £9k
Transport & Plant	0.191	0.194	0.003	
Admin Costs	0.436	0.410	(0.026)	Under spend in staff training within Support Services
Payments to Other Bodies	0.044	0.045	0.001	
Other Costs	0.104	0.104	0.000	
Total Resources expended	18.047	17.869	(0.178)	
Net income/(expenditure)	0.000	0.015	0.015	

Balance Sheet	As at 12 October	At at 31 March	
	2018	2018	
	£'000	£'000	
Current Assets			
Stock	45	83	
Debtors	10,244	2,266	Increase in debtors matched by an increase in creditors
Cash at Hand and Bank	6,122	6,444	
	16,411	8,793	
Liabilities			
Creditors: Amounts falling due within one year	(9,557)	(4,743)	Increase in creditors matched by an increase in debtors
Net Current Assets	6,854	4,050	
Current ratio	1.7	1.9	

