

North Lanarkshire Council Report

Education and Families Committee

approval noting

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CultureNL Ltd: 2018/19 Operational Performance Monitoring - Quarter 3 and Financial Performance to 1 February 2019

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Executive Summary

This report provides members with details of CultureNL's performance against previously approved indicators and targets during the period 1 October to 31 December 2018 (Quarter 3). A summary of the charity's financial performance to 1 February 2019 is also provided. The report includes an update on current activity to integrate North Lanarkshire Leisure within CultureNL Limited (as approved by Council in September 2018) and reaffirmed at the special Policy and Strategy Committee meeting on 29 April 2019, where members considered the options available to the Council in light of notification received from CultureNL that directors had decided not to proceed with the merger. The report updates the current position by advising that CultureNL's Board subsequently agreed, at its meeting on 1 May 2019, to progress with the merger.

Recommendations

The Education and Families Committee is requested to:

1. Note CultureNL's operational performance in the period 1 October to 31 December 2018;
2. Note CultureNL's financial performance against its approved 2018/19 revenue and capital budgets as at 1 February 2019;
3. Note the current status of work to deliver cultural, sports, leisure and related activities through a single, integrated entity with effect from 1 June 2019; and,
4. Identify areas of activity for further detailed reporting and consideration at future meetings of the Education and Families Committee.

Supporting Documents

The plan for North Lanarkshire CultureNL Ltd contributes to each of the Council's priorities and makes a particular contribution to:

- Support all children and young people to realise their full potential;
- Improve the health and wellbeing of our communities; and,
- Enhance participation, capacity and empowerment across our communities.

Appendix 1 Operational Performance for the Period 1 October to 31 December 2018 (Quarter 3)

Appendix 2 Financial Performance to 1 February 2019

Appendix 3 Balance Sheet

Appendix 4 Cash Flow to 31 March 2019

1. Background

- 1.1 CultureNL Ltd provides and manages a range of cultural and related services, activities and events on behalf of North Lanarkshire Council including: libraries; museums and heritage services; entertainment venues; community arts; community facilities; and all associated letting, catering, cleaning and caretaking functions.
 - 1.2 Established by the Council in October 2013 as a wholly owned company with charitable status, CultureNL is managed by a Board of Directors with membership currently comprising: 6 partner directors appointed by North Lanarkshire Council; 5 independent directors recruited through a formal selection process; and, an employee director, selected through a ballot of CultureNL's employees. The charity's Articles of Association also make provision for a further independent director and a trade union director (appointed by the recognised trade unions), although these positions are currently vacant.
 - 1.3 Members of this Committee previously noted the decision taken at Policy and Resources Committee in September 2018 to deliver cultural, leisure, sports and related services through a single organisation, with CultureNL retained as the single legal entity. Since then both charities have been working together to develop an integration plan and undertake all necessary due diligence. More detailed information is provided in paragraphs 2.7 and 2.8.
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2. Report

Performance Monitoring

- 2.1 CultureNL's Board of Directors meets bi-monthly in furtherance of the company's business objectives and directors' responsibilities as charity trustees. The Board considers a range of reports to fulfil its governance and management oversight responsibilities including an update report from the Chief Executive, quarterly performance monitoring report, revenue monitoring report and business specific reports such as Marketing and IT developments.
- 2.2 Performance against a suite of indicators approved in August 2018 by the former ALEOs and External Bodies Monitoring Sub Committee, is reported to committee on a quarterly basis, along with a financial summary prepared by a nominated representative of the Council's Section 95 Officer.
- 2.3 Appendix 1 provides details of CultureNL's performance against the aforementioned indicators during the period 1 October to 31 December 2018 (Quarter 3). In relation to the indicator measuring the number of online visits to museum and heritage facilities and resources, members should note that the procedure for recording these online visits has changed with web statistics now only identifying unique uses of the Summerlee and Heritage Centre landing pages rather than generic 'museums' searches. The 2018/19 combined target (for both actual and virtual visits to museums) was previously set at 610,000, reflecting actual performance of 638,383 in 2017/18 and was based on the generic 'museum' search, with some allowance for potential adjustments. Performance in Quarter 3, for both actual and online visits is below the targets set, with the online performance further impacted by this more specific

recording. CultureNL is reviewing this to ensure the indicator and target more appropriately measure and reflect performance.

Complaints, Compliments and Comments

- 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	10	9	0
Libraries & Log in to Learn	25	16	1
Museums & Heritage	0	9	0
Community Facilities	6	3	0
Catering	1	3	5
Total	42	40	6

- 2.5 CultureNL received a total of 88 pieces of formal feedback during the quarter. Of these, 47.7% were logged as complaints; 45.4% were compliments; and, 6.8% were comments. The complaints received related to: disruptive audience members; further correspondence relating to the festive closure of Chryston Library (as referenced in the previous report to this Committee); and complaints relating to the speed at which the online library catalogue is updated. All complaints, where upheld, were dealt with as stage 1.
- 2.6 CultureNL received 40 compliments including many compliments about the pantomime and the success of 'Murder in the Museum,' performed by library staff, family members and Airdrie Youth Theatre at Summerlee, with half the proceeds donated to Macmillan Cancer Support. Other compliments related to: the professionalism of venues staff when supporting external clients; wedding catering; and, the helpfulness of facility caretaking staff.

Integration of Cultural, Leisure, Sports and Related Services

- 2.7 At its special meeting on 28 February 2019 the Council's Policy and Resources Committee approved the proposed variations to CultureNL's Articles of Association. Such variations aimed to reflect the inclusion of sporting and leisure activities within the charity's objectives and the proposed change of name to '*Culture and Leisure North Lanarkshire*.' Committee delegated authority to the Head of Legal and Democratic Solutions and the Head of Communities to finalise the Articles of Association following any feedback received from the Office of the Scottish Charity Regulator (OSCR). Committee also authorised the Head of Legal and Democratic Solutions to prepare the necessary Special Resolutions to bring about the change of name and other revisions to CultureNL's Articles of Association. The Committee, mindful of the earliest date by which NL Leisure's Board of Directors could consider the proposed revisions and OSCR timeline to review, noted the proposed integration date would be extended from 1 April to 1 June 2019.
- 2.8 Both CultureNL and NL Leisure have continued to progress the tasks and integration arrangements contained in the Transition Plan including consideration of detailed due diligence reports on the other organisation's business operations. During the course of this activity, CultureNL's Chief

Executive intimated to the Council that the Board of Directors had decided not to proceed with the merger. This required the Council to consider the options available to enable it to implement its previously approved decision to deliver cultural, sports, leisure and related services through a single organisation. The matter was considered by the Policy and Strategy Committee at its meeting on 29 April 2019. It was agreed that the Council would, in the first instance, request CultureNL's Board of Directors to reconsider their position and thereafter, should it prove necessary, the Council further agreed to take permitted action, as sole member and by way of Written Resolution(s), to instruct CultureNL's Board of Directors to approve the merger.

- 2.9 The updated position and request from the Council were considered by CultureNL's Board at a special meeting held on 1 May 2019 where directors agreed to progress the merger.

3. Equality and Diversity

3.1 Fairer Scotland

- 3.1.1 While there are no matters within this report which require Public Sector Equality Duty and Fairer Scotland Equality Duty assessments at this stage, members should note that CultureNL's charitable objectives and services reflect the Fairer Scotland Duty to "*reduce inequalities of outcome caused by socio-economic disadvantage*". Socio-economic disadvantage is defined as low wealth, the inability to access basic goods and services, area deprivation and material deprivation. CultureNL's objectives, especially those focusing on: "*advancing public participation in cultural activities, further education and learning opportunities; and, ensuring that cultural activities are affordable and accessible*" contribute to tackling the impacts of socio-economic disadvantage.

3.2 Equality Impact Assessment

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

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 - £12.307m and Community Interest Company - £0.056m). Capital spend of £0.429m was also approved although this was reprofiled to £0.347m in January 2019. The Council therefore has a duty to ensure this money is being properly used to deliver both the Council's 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 the organisation's planned capital investment.

Financial Performance to 1 February 2019.

- 4.1.6 Based on their financial statements to 1 February 2019, CultureNL is projecting a surplus of £0.282m against a breakeven budget. This relates to an under spend against budget of £0.406m by CultureNL charity offset by an over spend against budget of £0.124m in relation to the Community Investment Company's (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 £0.124m, which is largely due to a projected shortfall in income of £0.065m in conjunction with an over spend in costs of £0.059m. Management action continues to identify a range of measures to improve this position and mitigate any further loss. Further high level details on financial performance are given at Appendix 2.

Overall Financial Standing as at 1 February 2019

- 4.1.8 Members should note a detailed cash flow and balance sheet as at 1 February 2019 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 1 February 2019. These are given as Appendices 3 and 4.

Key balances worthy of specific note include:-

- a) An average projected cash balance of £6.128m is anticipated between the 1 February 2019 and 31 March 2019; and,
- b) The current ratio is a key indicator of liquidity, with values less than 1 generally an indication a company may have difficulty meeting their debts as they fall due. As at 1 February 2019 the company reported a healthy ratio of 3.5:1. However, it should be noted this indicator is based on a snap shot of balances (not fully accrued) which are impacted by peaks and troughs in the trading year. Therefore greater assurances will be gained at the financial year end (31/3/2019).

Capital Programme

4.1.9 The Capital Budget allocated to Culture NL for 2018/19 equals £0.347m. This is split across the following project categories: Community Facilities – Fire Safety and Condition Survey Works £0.188m; Museums and Arts – Air Conditioning unit £0.144m; and, Libraries - £0.015m. Currently the budget is projected to be overspent by £0.017m in the area of Community Facilities – Fire Safety and Condition Survey Works. This overspend will require to be managed within overall resources.

4.2 HR/Policy/Legislative Impact

4.2.1 There are no HR, policy or legislative impacts arising at this time.

4.3 Environmental Impact

4.3.1 There are no environmental impacts arising at this time.

4.4 Risk Impact

4.4.1 CultureNL's Audit and Governance Sub Group takes responsibility for reviewing risks on a regular basis and will escalate consideration of these to the Board of Directors where required. The charity's top five risks remain as reported previously.

1. Impact of merger and / or external factors on cultural services.
2. Failure of e-systems including ICT networks.
3. Failure to adhere to Health and Safety policy / instruction.
4. Reduction in management fee and failure to implement / achieve associated efficiency savings effectively.
5. Financial risks associated with catering option.

4.4.2 Controls are in place to mitigate the likelihood or impact of the above risks and the Board of Directors will take further action where required, including for example, management actions to address the projected losses in the catering function through a range of cost saving measures and detailed analysis of income and expenditure by individual catering establishment/venue.

5. Measures of success

5.1 CultureNL's performance remains generally strong with actual outcomes exceeding the Year to Date (YTD) targets in three indicators. Performance is within target in five areas, however, there are three indicators where performance is below the YTD target and outwith the acceptable variance. The dips in performance in two of these indicators may be attributable to:

- A period of staff shortage in the Museums Service resulting in a reduction in the number of people engaging in museum learning experiences during Quarter 3; and,
- Revisions to the website data collection and analysis mechanism used to identify and record online visits to CultureNL's museum and heritage resources.

- 5.2 CultureNL anticipates that performance in the museum learning experience indicator will recover in Quarter 4 and it should also be noted that, whilst performance has dipped in Quarter 3, the number of participants is significantly higher than the same period last year.
- 5.3 While the number of bookings in community facilities and schools remains strong - exceeding targets and broadly on par with the previous year's figures - the number of people attending bookings in community facilities is below target and lower than the comparable quarterly and YTD outcomes in 2017/18. This may be impacted by previously approved decisions to withdraw services from a number of facilities.
- 5.4 CultureNL's senior management team and Board of Directors will continue to monitor the above indicators closely to identify any further deterioration and identify measures, where required and practicable to address the trends.
- 5.5 In other areas CultureNL's performance is above target, most notably, the charity's continuing commitment to recruiting modern apprentices and the numbers of people attending events in CultureNL venues. Attendances are up by 11% on the comparable period last year with strong pantomime ticket sales and sell-out performances by international artists including The Proclaimers and The Red Hot Chilli Pipers.
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Head of Business Solutions

CultureNL Ltd: Operational Performance for the Period 1 October to 31 December 2018 (Quarter 3)

Area of Activity	Indicator and Frequency	Target Outcome/Purpose	2018/19 Target	2018/19		Variance +/-	2017/18 Comparison			
				Q3 Actual	YTD Actual		Q3	YTD		
Improve 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)	1	5	+/-1 Blue	1	5	Target exceeded with 5 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)	4	12	+/-1 Blue	4	8	Target exceeded with 12 business units let at Cumbernauld Community Enterprise Centre	
Improve the health and wellbeing of our 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		11,826	24,648	+/-10% Blue	7,622	17,734	The community arts target is over threshold due to a strong weekly programme of activity, plus delivery of a daily arts programme in St Timothy's Primary School, funded via Pupil Equity Fund.
			Q1	6,000						
			Q2	4,500						
			Q3	7,500						
			Q4	7,000						
Creative Services	Attendance at events at CultureNL venues (Quarterly)	Increase income levels and increase participation in cultural and arts activities	208,000		91,111	177,502	+/-10% Green	82,052	170,686	Q3 sees an increase of 11% compared with the same period last year. Strong panto sales in November and December along with sold-out standing concerts from The Proclaimers and The LaFontaines and sellout shows from Stewart Francis and The Red Hot Chilli Pipers significantly increased attendance at Motherwell Concert Hall and Theatre. Airdrie Town Hall also saw 2 strong performances with standing concerts from Hue and Cry and Hipsway.
			Q1	50,000						
			Q2	34,000						
			Q3	81,000						
			Q4	43,000						

Area of Activity	Indicator and Frequency	Target Outcome/Purpose	2018/19 Target		2018/19		Variance +/-	2017/18 Comparison		
			Q3 Actual	YTD Actual	Q3	YTD				
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		1,184	3,690	+/-10% Green	1,247	3,723	A wide range of activities including Book Week Scotland; National Libraries Week; 'Focus on Families' Days; and, health self-management week events, alongside regular book groups and children's groups has meant that the target remains within threshold.
			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%		23.4%	26%	+/-10% Green	25.83%	25.47%	High demand for access to pc resources across libraries in lead up to Christmas break, combined with robust engagement with customers through social media platforms, has led to the target remaining within 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		7,814	27,531	+/-10% Red	6,482	32,980	Learning usage has increased by 20% when compared to the same quarter last year, however, staffing shortage has led to a reduction against target. CultureNL expects that Q4 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 = 80,296		+/-10% Red	142,487	544,753	Performance is below target for both actual and online visits with the latter further impacted by changes to the recording process. Since setting the targets, the procedure for recording online visits has changed with web statistics now only identifying unique users to the Summerlee and Heritage Centre landing pages rather than generic 'museum' searches.
			Q1	95,000	Actual = 32,402 Virtual = 47,894	338,994				
			Q2	100,000						
			Q3	65,000						
			Q4	55,000						
			Online Visits							
			Q1	90,000						
			Q2	100,000						
			Q3	65,000						
			Q4	40,000						
Libraries	Number of people affected by cancer engaging with volunteers provided via the	<ul style="list-style-type: none"> Provision of cancer information and support services in libraries throughout Lanarkshire; 	No target is set, project monitored for attendance and inclusion		150 people engaging during the period	N/A	N/A	38	38	Project monitored for attendance and inclusion. 150 people attended in Q3

Area of Activity	Indicator and Frequency	Target Outcome/Purpose	2018/19 Target	2018/19		Variance +/-	2017/18 Comparison		
				Q3 Actual	YTD Actual		Q3	YTD	
	Cancer Information Support Services (Quarterly)	<ul style="list-style-type: none"> Rolling out new volunteering opportunities 							
Libraries	Number of patients engaging in MoveMore programme (Quarterly)	<ul style="list-style-type: none"> Development of the Macmillan physical activity programme, MoveMore which supports and encourages patients to engage in light exercise 	No target is set, project monitored for attendance and inclusion	61 people engaging during the period	N/A	N/A	50	50	Project monitored for attendance and inclusion. 61 people attended in Q3, although classes did not run for three weeks over the festive period.
Enhance participation, capacity and empowerment across our communities									
Comm'ity Facilities	Total number of bookings in community facilities (Quarterly)	<ul style="list-style-type: none"> Increase income levels Support community participation 	49,000	13,781	38,664	+/-10% Green	13,793	38,637	Performance in Q3 exceeded the quarterly target and is within target YTD. CultureNL will undertake close monitoring throughout the year as letting patterns become more established.
			Q1 12,800						
			Q2 11,200						
			Q3 12,800						
			Q4 12,200						
Total number of bookings in schools (Quarterly)	<ul style="list-style-type: none"> Increase income levels Support community participation 	37,500	11,304	29,428	+/-10% Green	11,477	28,349	Performance in Q3 exceeded the quarterly target and is within target YTD, however, CultureNL advises that the reduction in the number of theatres available in schools and the condition of 2G pitches is impacting on bookings.	
		Q1 10,000							
		Q2 6,500							
		Q3 11,000							
		Q4 10,000							
Comm'ity Facilities	Total number of people attending bookings in community facilities (Quarterly)	Support community participation	985,000	224,226	645,406	+/-10% Red	254,912	766,916	Although the number of bookings within centres remains comparable with previous figures in 2017/18, the number of people attending bookings is significantly fewer and under target. This may be due to a slight reduction in social function bookings in Q3.
			Q1 290,000						
			Q2 215,000						
			Q3 250,000						
			Q4 230,000						
Improve North Lanarkshire's resource base									
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 1 February 2019

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	4.079	0.300	Over recovery in Creative Services of £410k offset by under recoveries in Community Facilities £50k, Libraries £38k and Museums £22k
Trading Activities (Catering, C.I.C Business Units)	1.889	1.824	(0.065)	Under recovery relates to Catering Income
Investments	0.016	0.016	0.000	
Total Incoming Resources	18.047	18.282	0.235	
Expenditure on:				
Employee Costs	11.090	10.986	(0.104)	Vacancies and an underspend in overtime and casual staff across Community Facilities, Libraries and Museums, of £162k, a projected underspend in Strain on Fund costs of £75k in Support Services and an underspend on Catering staff of £46k mainly offset by an increase in projected Creative Services employees costs of £87k (more than matched by an increase projected Creative Services income noted above).
Property Costs	3.090	3.001	(0.089)	Largely due to an underspend in Community Facilities in the areas of Janitors Overtime, Utility Costs and Uplift of Waste
Supplies & Services	3.092	3.259	0.167	Largely relates to an overspend in Creative Services which is matched by an increase in income noted above.
Transport & Plant	0.191	0.204	0.013	
Admin Costs	0.436	0.396	(0.040)	Unspend in corporate training budget, office supplies and postages.
Payments to Other Bodies	0.044	0.050	0.006	
Other Costs	0.104	0.104	0.000	
Total Resources expended	18.047	18.000	(0.047)	
Net income/(expenditure)	0.000	0.282	0.282	

Balance Sheet	As at 1 February 2019	At at 31 March 2018
	£'000	£'000
Current Assets		
Stock	62	83
Debtors	1,784	2,266
Cash at Hand and Bank	6,778	6,444
	8,624	8,793
Liabilities		
Creditors: Amounts falling due within one year	(2,477)	(4,743)
Net Current Assets	6,147	4,050
Current ratio	3.5	1.9

