

CABINET

3 DECEMBER 2014

HAMPSHIRE CULTURAL TRUST GRANT PAYMENTS

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

CAB2518 – The Future of the Museums Service: Establishing a Hampshire Solent Cultural Trust, 23 October 2013

PER247 - The Future of the Museums Service: Towards a Cultural Trust, 10 March 2014 (Exempt)

CAB2576 - Establishing a Cultural Trust: Staffing Matters, 9 April 2014 (Exempt)

CAB2589: Provision of Museums Services by Hampshire Cultural Trust, 10 September 2014

EXECUTIVE SUMMARY:

Under the Council Constitution, decisions made under Section A.2 of the Scheme of Delegation to Officers (use of Chief Executive's emergency delegated powers) should be reported to Cabinet or the appropriate Committee as soon as practicable after the decision was taken.

The Chief Executive was requested to use his delegated powers to approve the advance payments of grants to the Hampshire Cultural Trust.

Members are asked to note the Decision.

This report also provides an update on other finance matters relating to the Trust.

RECOMMENDATIONS:

- 1 That the Decision made under Section A.2 of the Scheme of Delegation to Officers, as detailed in Appendix 1, be noted.
- 2 That the other related finance matters are noted.

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REPORT OF CHIEF FINANCE OFFICER

1. Purpose

1.1. The purpose of this report is to advise Members of a decision made under the scheme of delegation with regard to advance grant payments to the Hampshire Cultural Trust.

1.2. It also provides an update on other finance matters related to the Trust.

2. Pensions

2.1. The Fund Actuary has now provided employer contribution rates for the new closed scheme as follows:

Hampshire Cultural Trust (HCC) = 13.8%
Hampshire Cultural Trust (WCC) = 14.3%

The difference in the two rates takes account of the profile of the transferred workforce. This is an increase on the rate of 13.1% paid by WCC prior to transfer of staff to the Trust which will require an increase in the grants budget estimated at £3,000 p.a.

3. Accounting Implications

3.1. The Council is required to assess whether its relationship with the Trust constitutes a group arrangement under the Code of Practice on Local Authority Accounting in the UK; and with reference to Internal Accounting Standards (IAS) and International Public Sector Accounting Standards (IPSAS).

3.2. Given the governance and funding arrangements assessed at 31/10/2014, it is not considered that Winchester City Council has control of or a significant influence over the Trust. The City Council's relationship with the Trust is that of a grant funding body. This will be subject to review on any changes to governance or funding arrangements, or changes in technical accounting guidance.

4. Grant Funding

4.1. Due to slippage in commencement of the Trust it has been necessary to re-align the grant funding schedule with the resulting impact of a one year delay in the start of the programme of savings.

OTHER CONSIDERATIONS:

5. SUSTAINABLE COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

5.1. The Trust project is the extension of an action in the Economic prosperity Change Plan for 2011/12, to assess the benefits of working in new ways with other Hampshire museums services. It also supports the first outcome of the Council's Economic Strategy for 2010- 2020.

6. RESOURCE IMPLICATIONS:

6.1. The resource implications of the Decision under A2 of the Scheme of Delegation are set out in Appendix 1 (para. 4).

6.2. The LGPS employer contribution rates have been assessed for the Trust and the Winchester transferring employees rate has been set at 14.3% (1.2% above the existing contribution rate of 13.1%). This is expected to equate to additional costs of approximately £3,000 per annum.

6.3.. The impact of the revised grant funding schedule has been reflected in the General Fund Budget Considerations Cabinet paper (CAB2629).

7. RISK MANAGEMENT ISSUES

7.1. As set out in Appendix 1.

BACKGROUND DOCUMENTS:

none

APPENDICES:

Appendix 1 - Decision under A.2 of the Scheme of Delegation to Officers

Decision under A.2 of the Scheme of Delegation to Officers

Date: 30 October 2014

TITLE: HAMPSHIRE CULTURAL TRUST – GRANT PAYMENTS

1 SUMMARY

1.1 Background

1.1.1 Cabinet have received a number of reports in relation to the progression of the Hampshire Cultural Trust, the most recent one being in September where it was proposed that the Council took into account the cash flow requirements of the Trust in determining the grant payment schedule, whilst balancing the financial risk for both the Council and the Trust.

1.1.2 The Trust has requested annual payments in advance for the current (part) year and the next 3 years of operation, from both HCC and WCC. This report sets out the consideration of that request.

1.2 Requirements

1.2.1 The proposed Local Authority core contributions are set out in Appendix 3 CAB2518, October 2013 and for year 1 are £2.6m for HCC and £0.4m for WCC.

1.2.2 The majority of the expenditure budgets being funded by WCC relates to employee costs, which is fairly evenly spread across the year on a monthly profile. However, the Trust, as a new and independent organisation, will have other cash flow pressures; particularly in respect of external grant funding where expenditure is incurred prior to grant being reimbursed, and income generation where expenditure is of necessity also incurred in advance of receipts.

1.2.3 Therefore the Trust has requested that the full amount of Local Authority grant contributions are paid annually in advance.

1.3 Proposed grant payments

1.3.1 It is proposed that the City Council applies the same approach as the County Council with regard to grant payments (as approved by the HCC Executive Member for Policy and Resources on 23 October), as follows:

1.3.2 For 2014/15, an initial grant payment will be made to the Trust on commencement, with a separate review after the end of the financial year to ensure that the grant payment was fair and consistent with the expenditure profile for the year.

- 1.3.3 For the first full year of operation in 2015/16, the full grant will be payable on 1 April 2015, providing the Trust with maximum cash flow stability and flexibility for the first full year.
- 1.3.4 For the years 2016/17 and 2017/18, grants will also be payable in advance on 1 April, but subject to approval of the Chief Finance Officer, as outlined in section 1.4 below.
- 1.3.5 From 2018/19 onwards the proposal is that grant payments will be paid quarterly in advance.

1.4 Monitoring

- 1.4.1 It is proposed that the monitoring arrangements are the same as those being adopted by the County Council, so that the Trust is providing the same information to the same timescales. This will enable quarterly review of the financial standing of the Trust based on agreed financial reporting information. The information for the 3rd Quarter to the end of December will be the basis for assessing the timing of the grant payments for the next financial year.

1.5 Pensions

- 1.5.1 The total payments to the Trust include an element of reimbursement of pension costs which the Trust has to meet for the transferring staff. This will be subject to separate reconciliation on a quarterly basis to ensure that the payments and reimbursements are in line with the forecasts included in the Management and Funding Agreement.

1.6 Recommended Decision

- (i) That the initial grant funding for 2014/15 (part year) be paid in advance based on the analysis undertaken by officers and will be subject to an end of year review process.
- (ii) That grant funding for the first full year of operation in 2015/16 be provided on 1 April 2015.
- (iii) That the annual grant funding for the years 2016/17 and 2017/18 be provided in full on 1 April of each year subject to the agreement of the Chief Finance Officer in consultation with the Portfolio Holder for Finance as outlined in the report.
- (iv) That grant funding from 2018/19 onwards be provided quarterly in advance.

2 **REASONS FOR THE EXERCISE OF EMERGENCY POWERS**

- 2.1 This decision is urgent in order that the first payment can be made to the Trust on 3 November 2014.

3 OTHER OPTIONS CONSIDERED AND REJECTED.

3.1 The Council could make quarterly payments of grant from the outset. However, the Local Authority funders are keen to support the Trust in its request and to display their confidence in the Trust to other potential funders.

4 RESOURCE IMPLICATIONS:

4.1 In providing advance funding there is a risk that the funding will all be spent faster than would otherwise be the case and that the Trust would be unable to meet its financial obligations part-way through the year. This would be exacerbated if the expected income forecasts were not achieved. The Trust is a new organisation with no established track record in financial management. However, it will initially be supported by HCC support staff with established financial procedures. Quarterly monitoring and on-going dialogue will enable the financial position of the Trust to be kept under review.

4.2 The provision of funding in advance requires the City Council to make expenditure before it has itself had the receipts (i.e. through collection of Council Tax etc.). This will therefore require the temporary use of reserves and will deplete the Council's available working capital. However, the amounts involved, in themselves, do not create an undue strain on the Council's financial position. There will be a small interest cost, estimated at less than £2,000 p.a.

5 MEMBERS CONSULTED IN ACCORDANCE WITH SCHEME OF DELEGATION

5.1 This is an executive decision, and accordingly the Leader, Cllr Humby, the Leader of the Opposition, Cllr Learney, and the Chairman of The Overview and Scrutiny Committee, Cllr Pines, were consulted by email 30 October 2014. In response to this consultation there was one point of clarification and no further comments.

6 CONFLICTS OF INTEREST DECLARED BY THE DECISION MAKER OR A MEMBER OR OFFICER CONSULTED

6.1 None

7 TARGET DATE FOR REPORT TO CABINET/OTHER APPLICABLE COMMITTEE FOR INFORMATION:-

3 December 2014

(Signed) Date.....

Chief Executive