

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member for Policy and Resources
<b>Date of Decision:</b>	23 October 2014
<b>Decision Title:</b>	Hampshire Cultural Trust – Grant Arrangements
<b>Decision Reference:</b>	6201
<b>Report From:</b>	Director of Corporate Resources – Corporate Services

Contact name: Rob Carr

Tel: 01962 847508      Email: [Rob.carr@hants.gov.uk](mailto:Rob.carr@hants.gov.uk)

#### 1. Executive Summary

- 1.1 The purpose of this paper is to consider the timing of grant payments to Hampshire Cultural Trust (HCT) following the transfer of cultural services within Hampshire County Council to the Trust from November 2014.

#### 2. Introduction

- 2.1 Over the last 18 months, a series of reports have been taken to the Executive Members for Culture, Communities and Recreation and Policy and Resources to put in place the necessary arrangements for the transfer of cultural services to the Hampshire Cultural Trust.
- 2.2 These reports have considered, separately, issues around the management of collections, the funding arrangements, property use and appropriate licences and leases, together with the proposals for providing support services to the Trust.
- 2.3 The total level of grant support to be provided to the Trust by Hampshire County Council has always been known, but the specific arrangements around the timing of grant payments has not been included within previous decision reports, but have been an ongoing point of discussion between the County Council and the Trust.
- 2.4 The purpose of this report, is to consider the arrangements for grant payments to the Trust during their formative years and on a longer term basis.

#### 3. Grants Payments

- 3.1 The vast majority of grant awards made by the County Council are paid quarterly in advance. This recognises the fact that many of the organisations we support require adequate upfront funding in order to properly run their businesses and gives them surety of cash flow for the elements of funding that are provided by the County Council.
- 3.2 This payment method also means that the County Council is able to support the organisations in this regard whilst at the same time maintaining an element of control

over the amount of funds that are released at any one point in time, which is important from the point of view of managing potential financial risks.

- 3.3 It is recognised however, that the Trust is in a somewhat unique position given that services are transferring 'en masse' from Hampshire County Council and Winchester City Council on 1 November and initially, the majority of their funding will be provided by these two authorities together with other contributions from District Councils within the County.
- 3.4 The Trust itself needs to be able to satisfy Charity Commission requirements for demonstrating financial management and financial stability and needs to have flexibility in the use of their resources in order to attract external funding to grow the business and to reduce their reliance on public funding in the longer term.
- 3.5 Given this position, the next section recommends the arrangements for paying grants for the first full three years of the Trust and also considers the arrangements for the initial five-month period and payments from 2018/19 onwards.

#### **4. Funding Arrangements**

- 4.1 The Trust will come into being from the beginning of November and will formally take over responsibility for the management of the cultural services being transferred by HCC and WCC.
- 4.2 Finance officers are currently working together with staff from Cultural Services to calculate the amount of grant that will be payable for the initial five-month period given that for the 2014/15 financial year, greater analysis is required to consider which costs and liabilities have already been met by the two transferring authorities and what costs will fall to the Trust in the rest of the financial year.
- 4.3 The aim will be to produce an initial grant figure that will be payable to the Trust on its first day of operation, together with a separate review mechanism that will take place at the end of the financial year to ensure that the grant payment was fair and consistent with the expenditure profile for the year.
- 4.4 For the first full year of operation in 2015/16, it is proposed, for the reasons set out in section 3 to pay the full amount of grant in advance for one year on 1 April 2015. This will provide the Trust with maximum stability and flexibility in their first full year of operation.
- 4.5 It is also proposed to make the grant payments for 2016/17 and 2017/18 on the same basis (i.e. payable annually in advance) subject to the agreement of the Director of Corporate Resources as outlined in more detail in the next section.
- 4.6 The total payments to the Trust also include an element for the reimbursement of pension costs which the Trust have to meet for transferring staff, which will be subject to separate reconciliation arrangements on a quarterly basis to ensure that the payments and reimbursements are in line with the forecasts included within the management and funding agreement.
- 4.7 From 2018/19 onwards the proposal is that grant payments will revert back to the County Council's standard terms and will be paid quarterly in advance.

## 5. Reporting Arrangements

- 5.1 Section 3 outlined the fact that the normal arrangements for grant payments of quarterly in advance, balanced the cash flow needs of the organisation against the financial risks that the County Council faces of providing funding in advance.
- 5.2 The amount of grant funding that will be paid to the Trust is well in excess of any other amounts that are currently paid to other organisations that the County Council supports however, it is accepted that there are exceptional circumstances to justify the payment of the full year grant in advance to the Trust during the early years of its operation.
- 5.3 It is recommended that the extension of this arrangement to years two and three of the Trust's operation is subject to the agreement of the Director of Corporate Resources who will consider on a quarterly basis the financial standing of the Trust based on agreed financial reporting information that will be required from them.
- 5.4 It is proposed that the third quarter position to the end of December will be considered as soon as the information is available each year and at that point the decision will be made on the timing of the grant payments for the next financial year. This means that decisions will need to be made early on in 2016 and 2017 on the payment arrangements for those next financial years.
- 5.5 This will enable a proper financial risk assessment to be undertaken at this point, however in any event, it is anticipated that ongoing dialogue will take place throughout the year in respect of the financial position of the Trust.

## 6. Recommendations:

- 6.1 That the initial grant funding for the first five months of the Trust will be paid in advance based on the analysis undertaken by officers and will be subject to an end of year review process.
- 6.2 That grant funding for the first full year of operation in 2015/16 will be provided annually in advance.
- 6.3 That grant funding for the years 2016/17 and 2017/18 will be provided annually in advance subject to the agreement of the Director of Corporate Resources as outlined in section 5.
- 6.4 That funding from 2018/19 onwards will be provided quarterly in advance in line with the County Council's normal policy.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	Yes
<b>Maximising well-being:</b>	Yes
<b>Enhancing our quality of place:</b>	Yes

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
None		
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	
None		

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

## **IMPACT ASSESSMENTS:**

### **Equality Duty**

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard has been given to these requirements in considering the transfer of services to the Trust and the detailed arrangements surrounding its future operation.

### **2. Impact on Crime and Disorder:**

The County Council has an obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all decisions it makes on the prevention of crime.

The arrangements with the Trust aim to improve the wellbeing of Hampshire residents and reduce the risk of crime occurring.

### **3. Climate Change:**

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Issues in respect of climate change have been taken into account in considering the property related arrangements with the Trust.