



The Future for Leisure, Tourism, Culture & Youth

A Business Case for an Alternative Delivery Model

The reality

- ▶ Conclusion of a lengthy & wide-ranging strategic appraisal of options for future of TLCY
- ▶ Function before form
- ▶ Purpose is to secure a viable, sustainable and supportable future for TLCY services in order to optimise the contribution they make to developing the wellbeing of Monmouthshire residents throughout their lives
- ▶ Context is significant societal/ wellbeing challenges and demand pressures faced
- ▶ Our funding is declining rapidly and as the lowest funded council in Wales, the gap between us and the rest of the pack is a yawning one. This is unlikely to change and is the new norm
- ▶ Council and PSB signed up to wellbeing objectives, which puts TLCY services centre-stage as catalysts and contributors to wellbeing. However, TLCY services are, in the main, discretionary not statutory
- ▶ This shouldn't make a difference, but it does. TLCY services can't be realistically 'prioritised' or protected. This is because there are genuinely wider and more readily available and accessible options through which to feasibly deliver them, than there are for Education & Social Care.

What does Tourism, Leisure, Culture and Youth do?

- ▶ Custodians of 850 km² of countryside
- ▶ Thousands of 'Rights of Way' and public footpaths
- ▶ Gwent-wide Outdoor Education Service with three sites; Gilwern, Talybont & Hilston Park
- ▶ Overseers of Coastline, Castles, World Heritage Site, BBNP, AONB & SSSI
- ▶ Runs and manages 4 Leisure Centres, 4 Museums, 3 major attractions, smaller community based picnic and historic sites
- ▶ Youth Service - multiple programmes, support and services to communities & schools
- ▶ Exercise Referral Scheme
- ▶ Tourist Information Centres and tourism economy/impact which is on a positive trajectory
- ▶ Sport's Development: Playmakers, Young Ambassadors & Monmouthshire Games
- ▶ Play, recreation and green spaces

Why is this important?

- ▶ Burgeoning costs of poor physical/mental health needs focus on keeping people well
- ▶ Public Health Imperative
- ▶ Exercising, playing sport or partaking in cultural activity is when 44% of people are at happiest
- ▶ Leisure is the 'new productivity'. Knowledge economy relies on power of ideas. We are best wired for ideas and inspiration in moments of leisure.
- ▶ Connecting people with heritage and place (as we have seen some of our museum projects), helps overcome isolation and loneliness.
- ▶ The culture and creative industry is a growing segment of our economy. We are competing in a global tourism economy STEAM figures are rising on back of sporting/ major & cultural events. Productivity & prosperity
- ▶ Opportunity to address broader social policy issues such as community development, social justice, health & educational attainment. E.g., Sports Ambassadors, Playmakers. People feel a 'pull' to our county because it offers unrivalled access to inspiring environments
- ▶ These services help to lower reliance on costly statutory Council services
- ▶ The Wellbeing assessment work and objectives are explicit about the importance of our environment, leisure and wellbeing

What's the current position?

- ▶ In 2010, budget for service area was £6.5m. Today it stands at just over £4.4m - 3% of council's total budget
- ▶ Outperformed all expectations of income & consistently major contributor to MTFP
- ▶ Our drive for effectiveness and efficiency is long established
- ▶ Over years, had to make concessions to keep things going like free swimming for 60+, new pool and facilities in Monmouth, adequate play spaces, volunteer led leadership of sport & Rights of Way and converting play schemes to Monmouthshire Games
- ▶ Cuts to staffing are biting. Income levels are stagnant. External grants withdrawn or are reducing. Condition of facilities is poor. Investment has been prioritised in other areas. Partners withdrawing from joint arrangements (OEC, TIC). Services increasingly unviable. Capacity is low. Little scope to renew from where we are
- ▶ Costs delivering services over next 5 years would be consistently higher than MTFP allocation
- ▶ If things stay the same, managing decline is only option.

How could services live within the MTFP Model

No investment in the services - significant savings would need to be made - 655k by year 5 (2022).

Short Term considerations could be

- ▶ All sites review opening hours
- ▶ Non essential activity would not be undertaken (e.g. attendance at meetings, velethon, agricultural shows)
- ▶ Reduced opening hours at museums sites and attractions (no winter opening)
- ▶ Closure of Leisure sites on Sunday afternoons and reduced opening hours during the week
- ▶ No ability to recruit much needed specialist positions

Medium Term Considerations could be

- ▶ Closure of Caldicot Castle as a venue with park remaining open
- ▶ Rationalisation of Museum sites with closure of two venues
- ▶ Closure of Tintern Old Station and Chepstow TIC
- ▶ Rationalisation of Leisure Centres with closure of one site
- ▶ Closure of one Outdoor Education venue

So, what options have been considered?

- ▶ Started off in 2013 by looking at options for future of Museum's Service
- ▶ In 2014, scope of this work was widened to include all TLCY services
- ▶ In October 2016, Cabinet approved the SOC which set out initial appraisal of options for change:
 - ▶ Transform in-house
 - ▶ Transfer services to an ADM
 - ▶ Outsource
 - ▶ Join an existing LA-led 'trust'
 - ▶ Do nothing
- ▶ In March 2017 Council agreed to progress the transform in house option (option 2) and the Alternative Delivery Model (option 3) and prepare the FBC to demonstrate a full comparative analysis between the two options for consideration.
- ▶ July 2017 the Joint Select Committee considered the draft FBC for scrutiny.
- ▶ In-house team led, but informed closely and tested by independent consultants and legal experts

Options Appraisal. Transform in-house v transfer to newly established ADM

- ▶ Over a 5 year period, cost to council £22.945m, £1.857m above the potential MTFP allocation. This means service reductions; service decline & price hikes
- ▶ Limited opportunities for commercial and enhanced services due to funding constraints, declining performance & asset condition & staffing cuts
- ▶ Limited commercial expertise & commercialism
- ▶ Council is limited in the sources of funds that it can access and trading it can carry out. This reduces the range of potential service delivery options
- ▶ Relies upon TLCY services 'jumping queue' for financial support, marketing & branding expertise, repairs and maintenance & be major recipient of service innovation around automation, payment options and procurement/ IT
- ▶ Staff morale affected by inability to progress, improve and enhance delivery
- ▶ ADM option would cost £21.44m. Still slightly outside MTFP allocation but income projections are intentionally conservative for a 'start-up'. Option for profit share
- ▶ The ability to optimise; set and establish own culture, tone and drive a social-commercial ethos
- ▶ Systems, processes policies and practices would all be bespoke and geared up to making things happen. The ADM, its mission, people and customers are the priority without fear of squeezing other services out
- ▶ Freedoms and flexibilities to run services on behalf of council through 'teckal', whilst benefiting from charitable status & trading
- ▶ Staff morale has best chance of being maintained at 'high' - recruit and retain the best talent
- ▶ Board taps into social capital, influence and networks of key individuals and entrepreneurs
- ▶ Arms-length from council - but works for county - with key lines of accountability to council but without bureaucracy and protractedness
- ▶ Diverts people from costly council services

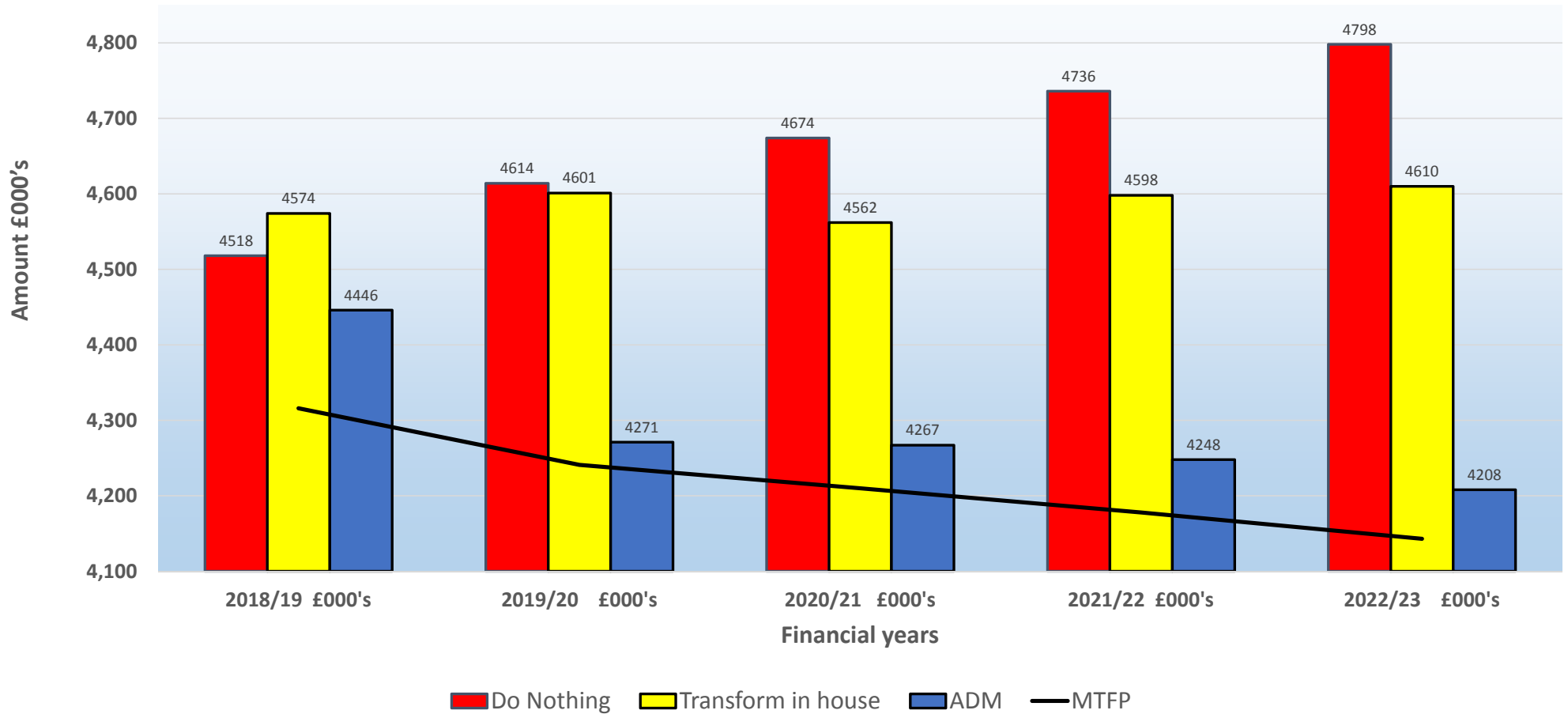
Other considerations (1)

- ▶ FBC based on five stage business case model. ADM optimises value for money, affordability & deliverability. The FBC explains the background to the proposal and sets out the Strategic, Financial, Economic, Commercial and Management
- ▶ Terms like 'commercial' and 'optimally efficient operating model' may sound radical. But Council itself will need to adapt to the same as things cannot stand still.
- ▶ TLCY however cannot wait. It is at a cross-roads. It cannot provide more savings in current form. If it stays in-house, transforming would require priority investment over other priority services! It is ready now.
- ▶ MCC will have to consider taking radical action to balance the books, making choices over what services to provide and what is commissioned externally/delivered internally. ADMs may have to feature more. The ADM is a case study in the making and an opportunity to test mettle before the harder choices to come.
- ▶ The problem we have to solve is how to move services from sub-optimal to optimal. Best chance of optimisation is move to ADM.
- ▶ ADM is the **harder** option. It would be easy to continue life in the council - managing reduced services, reduced performance and reduced expectations.

Other considerations (2)

- ▶ Setting aside the mechanics of the process it is important to focus on what's not in the business case:
 - ▶ Difficulties developing commercialism due to barriers, complexities and conditions which are not always conducive to this. A commercial enterprise needs freedom to deliver, take calculated risks, be responsive and deliver for communities
 - ▶ The financial challenge for MCC means that it cannot deliver all services as now and will have to reduce its cost base or generate significant amounts of income to cover savings targets and inflation. Have to tackle cost base and engage the market on commercial terms. Change inevitable?
- ▶ The ADM will explore exciting initiatives across social care, health and leisure - bringing networks, opportunities and investment potential to MCC and assets. Rising social care costs & social prescribing.

Options for Tourism, Leisure, Culture and Youth Services



Five Year Options Comparison of Costs

| OPTIONS | 2018/19 £000's | 2019/20 £000's | 2020/21 £000's | 2021/22 £000's | 2022/23 £000's | Total £000's |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| MTFP | 4,316 | 4,241 | 4,210 | 4,178 | 4,143 | 21,088 |
| Do Nothing | 4,518 | 4,614 | 4,674 | 4,736 | 4,798 | 23,340 |
| Transform in house | 4,574 | 4,601 | 4,562 | 4,598 | 4,610 | 22,945 |
| ADM | 4,446 | 4,271 | 4,267 | 4,248 | 4,208 | 21,440 |

Transform In House

- ← Inflation rising over the five years to 373k by year 5
- ← Income rises quickly to 252k by year 3, with limited increases in year 4 and 5
- ← Extra set up costs reduce after year 1 as key posts are offset by income
- ← Net cost rises in year 4 and 5 because inflation outstrips new income proposals
- ← Level of funding required from MCC increases over the 5 years

| | 2018/19 £000s | 2019/20 £000's | 2020/21 £000's | 2021/22 £000's | 2022/23 £000's | Total £000's |
|--------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Base 18/19 | 4,224 | 4,224 | 4,224 | 4,224 | 4,224 | 21,120 |
| Pressures | 202 | 202 | 202 | 202 | 202 | 1,010 |
| Inflation | 92 | 188 | 248 | 311 | 373 | 1,212 |
| New Income | -63 | -152 | -252 | -279 | -329 | -1,075 |
| Extra Costs | 106 | 63 | 63 | 63 | 63 | 358 |
| Capital financing | 13 | 76 | 77 | 77 | 77 | 320 |
| Total | 4,574 | 4,601 | 4,562 | 4,598 | 4,610 | 22,945 |

- ← Increase in year 1 to build in all of existing budget pressures
- ← Significant new income streams rising to 740k by year 5
- ← Future 5 year Inflation of 1.178m fully met by new income streams
- ← Allows ADM to build up a contingency reserve of 455k by year 5
- ← Continuing reduction in grant from MCC which saves £1.505m over a 5 year period when compared to the transform in house option
- ← Income projections are prudent and realistic. They do not include income from grants. The ADM could exceed its income targets and obtain extra grant funding.

Alternative Delivery Model

| | 2018/19 £000's | 2019/20 £000's | 2020/21 £000's | 2021/22 £000's | 2022/23 £000's | TOTAL £000's |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Base 18/19 | 4,224 | 4,224 | 4,224 | 4,224 | 4,224 | 21,120 |
| Pressures | 202 | 202 | 202 | 202 | 202 | 1,010 |
| NDR Relief | -239 | -239 | -239 | -239 | -239 | -1,195 |
| VAT Issues | 55 | 54 | 54 | 54 | 54 | 271 |
| Inflation | 90 | 183 | 241 | 302 | 362 | 1,178 |
| New Income | -187 | -413 | -498 | -605 | -740 | -2,443 |
| Extra Costs | 178 | 114 | 115 | 117 | 117 | 641 |
| Capital financing | 73 | 81 | 83 | 83 | 83 | 403 |
| Reserves | 50 | 65 | 85 | 110 | 145 | 455 |
| Total | 4,446 | 4,271 | 4,267 | 4,248 | 4,208 | 21,440 |

One Off Costs

The Council will incur costs associated with each of the options. Existing sunk costs that have already been incurred by the Council have been excluded.

| One Off Costs | Transform in House | Alternative Delivery Model |
|--------------------------------------|---------------------------|-----------------------------------|
| | Amount £000's | Amount £000's |
| Financial Support and Legal Advisors | 30 | 75 |
| Marketing, Media, Website, Branding | 15 | 30 |
| Recruitment / Hr Advice | 0 | 30 |
| Corporate Governance Costs | 0 | 20 |
| Total | 45 | 155 |

Residual Impact To the Authority

The provision of support services to the ADM is an important consideration. These services provided by the Council will encapsulate the following: - Human Resources, Finance, Information Technology, Legal Services, Insurance, Internal audit, Procurement, Communications, Grounds Maintenance, Property Services and Business Support. Currently TLCY incur central support costs estimated at £0.970m.

The ADM is expected to continue to use the vast majority of back office and central support services but there is likely to be an immediate additional cost implication to the Council of **£143k**. Further implications to the authority could occur in future years should the ADM wish to source those services elsewhere. If this did happen, then further financial consequences could be a further £71k at the end of year 3 and £109k by year 5. However this is negated by the additional financial benefits of the ADM when compared to the transform in house option

Other Financial Considerations and Risks

▶ VAT

- ▶ ECJ VAT ruling, recently accepted by HMRC, relating to VAT exemption on leisure services
- ▶ Move from standard rated to VAT exempt would bring windfall gain to in-house ADM model as no longer having to deduct VAT from affected leisure income streams
- ▶ However, work undertaken by Authority's VAT consultants highlights that the Authority would breach its partial exemption limits (affected by capital expenditure on assets that are generating exempt income) resulting in significant additional VAT liabilities.
- ▶ As a small authority the gearing effect of these changes on partial exemption are more significant. Unless dispensations, which have only historically been one-off, are offered by HMRC mitigation would be to delay capital expenditure on leisure assets which would place a restriction on future investment plans under an in-house transform model.
- ▶ Hoped that flexibility will be afforded to LAs to give flexibility to plan for changes. Specific guidance from HMRC has yet to be issued

Other Financial Considerations and Risks

▶ Fixed Assets

- ▶ Land and buildings through which TLCY services are delivered would be retained by the Authority.
- ▶ Buildings to be leased by the ADM ownership will be retained by MCC
- ▶ Major repair and maintenance obligation proposed to remain with the Authority as landlord
- ▶ Beyond any profit share arrangement agreed under an ADM model future profits generated would be reinvested in the services/assets

Evaluating success

- ▶ What was achieved? How well was it achieved? What's the difference?
- ▶ Business Plan key tool for Council to hold ADM to account for its performance
- ▶ Contribution to wellbeing objectives
- ▶ Safeguarding
- ▶ Scrutiny. Client-role. 12 monthly reporting to full Council.
- ▶ Management agreement/ SLA:
 - ▶ Compliance with MCC's safeguarding policies
 - ▶ Asset interface
 - ▶ Business leadership capability
 - ▶ Relationships - alignment between client and contractor
 - ▶ Provider market status
 - ▶ Transformation capability
 - ▶ Delivery management capability
- ▶ Council influence & governance - TECKAL & wider Board representation.



- ▶ November 2015 Community Consultation on Budget Mandate's – Mandate 1
- ▶ December 2015 Initial consultation with Leisure, Youth and OE services
- ▶ January 2016 Wider consultation with T&C services
- ▶ January 2016-present Regular bi-monthly meetings with Trade Unions/HR
- ▶ March 2016 Formation of Change Ambassadors team

- ▶ August 2016 'What Matters' exercise with our service users
<https://www.youtube.com/watch?v=XsyohXe7muc&feature=youtu.be>

- ▶ Sep 2016 - Feb 2017 Community and Town councils consulted
- ▶ October 2016 The Big Conversation with our younger community members
- ▶ November 2016 TLCY staff seminar
- ▶ March 2017 Staff workshops on Vision and Values



July – October 2017: **68%** of staff attended workshops to compose their expectations on the culture of the ADM.

132 'Promises' were pledged by staff to enable and support organisational growth and personal development within the ADM:

Enthusiastic - To ~~put~~ bring energy and clarity in my work to help others to stay enthusiastic and energised too.

Help develop services to meet/exceed customer services & promote them to target audiences

Consistent service - to exceed customer expectation time and again to create memories by giving excellent service.

Team-Work - to Make Sure we all work for each other for the better good.

defining and contributing to clarity of purpose for the ADM.

Passionate - I love about the impact our programmes and service has. My culture this is installed across the new model is essential.

The possible

'If I asked people what they wanted, they would have said faster horses' - Henry Ford

