

<b>SUBJECT:</b>	<b>FUTURE OF TOURISM, CULTURE, LEISURE AND YOUTH</b>
<b>MEETING:</b>	<b>Cabinet</b>
<b>DATE:</b>	<b>29<sup>th</sup> January 2018</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All</b>

## 1. PURPOSE:

To set out the conclusions and recommendations of the comprehensive options assessment and Full Business Case to inform the future delivery of sustainable Tourism, Leisure, Culture and Youth (TLCY) services in Monmouthshire.

## 2. RECOMMENDATIONS:

- 2.1 To approve the Full Business Case, Business Plan and associated reports to inform the establishment of a new entity - an Alternative Delivery Model (ADM) - to secure a viable and optimal future for TLCY services; ensuring they are able to thrive and respond to the current and future needs, expectations and aspirations of Monmouthshire residents.
- 2.2 To agree to receive a fully developed initial five-year Management Agreement, inclusive of a complete Evaluation Matrix and a detailed Governance Framework - to be considered at a meeting of Full Council prior to enactment of the ADM. The Management Agreement will govern the interaction between the Council and ADM; and, the obligations and responsibilities that will ensure maintenance of core elements of democratic legitimacy, public accountability and workforce duty of care. On its approval by Full Council, the process of recruitment to senior posts will commence prior to the 'going live' date.
- 2.3 To approve a 'start up' fund of £155,000, drawn from the Priority Investment Reserve, that will allow the establishment of the new entity and provide reassurance around the intensity and rigour of the ongoing due diligence having regard to the requirements of both the Council and ADM. The results of this will inform the Management Agreement as per 2.2 above.
- 2.4 To recognise the amount to be included within the MTFP for the next 5 years of £388,000 and that will need to be taken into consideration as part of the 2018/19 – 2022/23 budget proposals as shown in the graph at 6.1.

## 3. KEY ISSUES:

### The reality of our context

- 3.1 The report sets out the conclusion of a lengthy and wide ranging strategic appraisal of options to provide an optimal future for Tourism, Leisure, Culture and Youth (TLCY) – a

set of services instrumental to the wellbeing and life chances of residents, businesses and visitors to our county. Guiding the purpose of this work since its inception has been the aim of securing the most viable, sustainable and supportable future for TLCY services in order to optimise the contribution they are able to make to the wellbeing of Monmouthshire residents, throughout their lives. This has meant putting considerations of function ahead of form. It is for this reason that this report summarises the headlines of the business case for change and the plan that will deliver it. At this stage it cannot cover every aspect of governance and operations - this finer level of operating detail becoming the focus of next phase 'start up' activity and which will be set out in the Management Agreement.

- 3.2 The conclusion of this work has to be seen in the context of the wider financial, societal and wellbeing challenges and demand pressures upon both the county and Council. The funding the Council receives to run services, continues to decline and as the lowest funded Council in Wales, the gap between Monmouthshire and its twenty-one counterparts, is a significant one. Given the continuing pressures on all areas of public expenditure – this scenario presents as the 'new norm' – and yet doesn't have to signal inevitable decline and degeneration.
- 3.3 The Council and its Public Service Board partners, are signed up to four Wellbeing Objectives – derived from the Wellbeing Assessment and extensive public engagement. This puts TLCY services centre-stage as core catalysts and contributors to quality of life and wellness. TLCY services are not statutory – they are for the most part, 'discretionary'. In many ways, this does not matter. In some important ways however, it does. It has not been feasible historically to afford 'protection' to these services. The reason for this is that TLCY services operate in the market and so have had some freedom to generate income and develop new opportunities to build their own sustainability. In addition, there are genuinely wider, more flexible and accessible options through which to deliver TLCY services than there are for areas such as Education and Social Care – where flexibilities are restricted.

### **What Tourism, Leisure, Culture and Youth Services do**

- 3.4 It is easy to summon up images of local leisure centres, attractions such as Caldicot Castle, Shire Hall and tourist information provision. However this seriously underplays the full scope of the vast array of services delivered by TLCY, which includes:
- Custodianship of 850 km<sup>2</sup> of countryside and 2,100km of public rights of way
  - Running a Gwent-wide Outdoor Education Service with sites at Gilwern, Talybont & Hilston Park
  - Overseeing Coastline, Castles, a World Heritage Site, a section of the Brecon Beacons National Park, the Wye Valley Area of Outstanding Natural Beauty and landscape partnerships
  - Operating and managing four Leisure Centres, four Museums, three major attractions, smaller community based attractions such as countryside, picnic and historic sites
  - Operating the Youth Service – multiple programmes, support and services to communities & schools

- Delivering the GP Exercise Referral Scheme
- Operating Tourist Information Centres and tourism development
- Delivering Sport's Development: Playmakers, Young Ambassadors & Monmouthshire Games
- Responsibility for play, green infrastructure and biodiversity

3.5 Enabling provision of these functions is critical to the wellbeing of our county. The burgeoning costs of poor physical and mental health are well documented and it is a public health imperative to focus more on keeping people well – rather than merely treating them when they become sick. A number of prominent studies document the 'happiness benefits' of engaging in sport, exercise and cultural activity and leisure significantly boosts economic productivity and creativity. In a large rural county where access to service deprivation is a big issue – connecting people with their place through exercise, heritage and culture is a powerful tool. The culture and creative industry is also a growing segment of our economy. Monmouthshire competes in a global economy wherein cultural tourism accounts for nearly 40% of all tourism. STEAM figures document an upward economic trajectory and evidence demonstrates opportunities to address important broader social policy and justice issues. The work undertaken to inform the Wellbeing Assessment shows the 'pull' people feel to our county and the un-paralld access it can offer to awe-inspiring environments which enable people to feel well.

### **What TLCY services currently cost**

- 3.6 All of the above clearly sets out why it is critical to ensure TLCY services are optimised. In 2010, the budget for combined TLCY services was some £6.5m and today this stands at just over £4.4m – 3% of the Council's total budget. Over this period, the service has outperformed all expectations of income and consistently been one of the top two contributors to the MTFP and thus, the drive for efficiency and effectiveness has long been established. Over the years, concessions have been made to sustain delivery when subsidies and support for things like free swimming for 60+ and sports development have decreased and in some cases, withdrawn altogether. The development of Monmouth Pool and leisure facilities has also featured, along with new play projects, investment in Countryside volunteers, Duke of Edinburgh, Young Ambassadors, and recently the Monmouthshire Games and Play-Makers.
- 3.7 Good practice and high output has broadly been maintained because of the immense passion and goodwill that exists on the part of both the on and off payroll workforce. However, staffing cuts, stagnation of income levels as facilities deteriorate, withdrawal of external grants, lack of investment and partners moving out of collaborative arrangements such as Tourist Information Centres and Outdoor Education – are all taking their toll.
- 3.8 Services feel increasingly unviable and delivery on the same footprint and structures appears unfeasible. Capacity is low and there is little, if any, scope to re-purpose and renew. Looking forward, the table below outlines that the costs of delivering services over the next five years, are consistently higher than the MTFP allocation. In order to deliver to these financial targets, services would have to be reduced significantly.

**Table 1 – Cost of Delivery of Existing Services Compared to MTFP Allocation**

	<b>MTFP Allocation</b>	<b>Predicted Spend</b>	<b>Variation</b>
<b>Year</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
2018/19	4,316	4,518	202
2019/20	4,241	4,614	373
2020/21	4,210	4,674	464
2021/22	4,178	4,736	558
2022/23	4,143	4,798	655
<b>Total</b>	<b>21,088</b>	<b>23,340</b>	<b>2,252</b>

**4. OPTIONS APPRAISAL:**

4.1 The scale of the future challenge was first recognised in 13/14, when work was commissioned to consider options for future delivery of Cultural Services. Soon after, the scope of this work was widened to include all TLCY services. In October 2016, Cabinet approved the Strategic Outline Case which set out the full initial appraisal of options for change. These included, 'Transform in House', 'Establish and transfer services to an Alternative Delivery Model', 'Outsource', 'Join forces within an existing Council-led ADM' and '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 a full business case to demonstrate a comparative analysis between the two options for consideration. In July 2017 the Joint Select Committee considered the draft full business case for scrutiny. The whole process has been facilitated by an in-house team and informed closely and tested by independent advisors and legal experts.

4.2 The comparative analysis of the two preferred options is summarised as follows:

<b>TRANSFORM IN-HOUSE</b>	<b>NEW ENTITY - ALTERNATIVE DELIVERY MODEL</b>
Over a 5 year period, transforming in-house would cost the council £22.945m, £1.857m above the potential MTFP allocation. This could spell service reductions; service decline & simultaneous price hikes.	ADM option would cost £21.44m. Still slightly outside MTFP allocation but income projections are appropriately conservative for a 'start-up' org and a profit share/ overage facility would be established
Limited opportunities for commercial and enhanced services offer due to funding constraints, declining performance and asset condition & staffing cuts	The ability to optimise; set and establish its own culture, tone and drive a commercial ethos to drive a social wellbeing mission. Strategic investment begins to address investment issues and current constraints
Council services and back office support and systems does not have and are not	Systems, processes policies and practices would all be bespoke and geared up to

<b>TRANSFORM IN-HOUSE</b>	<b>NEW ENTITY - ALTERNATIVE DELIVERY MODEL</b>
<p>required in many cases to have, a commercial ethos. The council delivers 600+ services and the back office has hundreds of customers to serve and support and therefore cannot always react and respond to the requirements of TLCY services in the way needed.</p>	<p>making things happen and work. The ADM, its mission, people and customers are the priority.</p>
<p>Council is limited in accessing specific forms of external funding and grants and in the amount and types of trading that it can carry out. This reduces the range of potential ways in which services might be developed and delivered in future.</p>	<p>Freedoms and flexibilities to run services on behalf of council through 'Teckal', whilst at same time, benefiting from charitable status and trading ability. ADM can build its own resilience.</p>
<p>Staff morale likely affected by inability to progress, improve and enhance delivery</p>	<p>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 within county</p>
<p>Remains as part of Council serving all usual processes, procedures and requirements</p> <p>Wellbeing is served as best as possible within constraints</p>	<p>Arms-length from council – but works for county – with key lines of accountability to council but without bureaucracy and protractedness</p> <p>Wellbeing is focus and diverts people from seeking assistance from costly council services</p>

### **Key Considerations**

4.3 The resultant full business case has been developed in accordance with the Five Stage Business Case Model and demonstrates that the 'new entity'/ ADM maximises value for money, affordability and deliverability. The full business case contains all of the relevant background information and sets out the strategic, financial, economic, commercial and management case. The case is mainly predicated on the opportunity for greater commercialism and the potential to create an optimum operating model. Whilst these terms may sound radical and jargonistic – they are not fanciful. The Council itself will need to grapple with and adapt to the same tests and challenges. A move to an ADM does not just signal change outside of the Council – it sets the bar for change within the Council too. Things within the Council cannot and will not stand still. It will of course take longer for this to occur, given the size and scale of the task. The key issue for TLCY

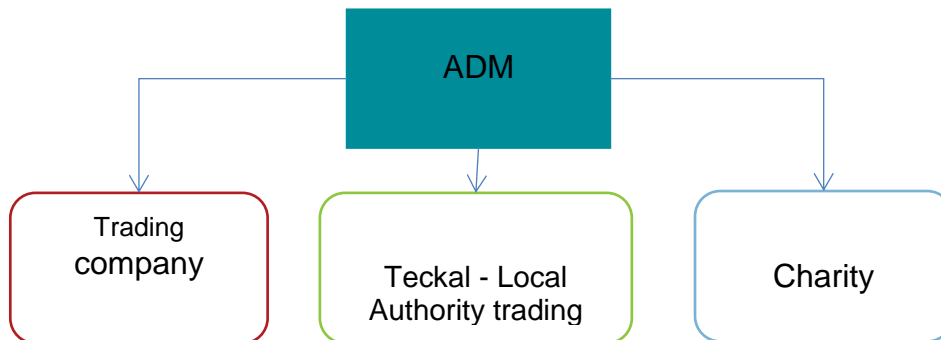
services however, is that they are ready now and can't afford a longer wait for a whole-scale change. The service is at a cross-roads now. It cannot provide further savings or income in its current form. Transform in-house would require prioritisation above other essential services. Acting now puts services on the best path to thrive and move beyond merely hoping to survive.

- 4.4 This underlines the real challenge for the Council itself in taking the big steps needed to balance the books over the coming years. This will mean making choices over what services to provide; what is commissioned and what is delivered in-house. It is possible that more ADMs become the norm as a means of tapping into wider available resources and opportunities to reduce costs. The ADM is thus, not just important for TLCY services – but important for the Council as a whole to have a demonstration of what is possible and what can work, before the even harder choices to come.
- 4.5 The crux of the business case is that TLCY services currently operate sub-optimally. Establishing an alternative means of delivery via an ADM, provides the best chance of optimising service delivery and delivering better outcomes for the county. It is no doubt, the 'easier' option for TLCY to remain within the Council – managing a reduced set of services with reduced performance output and expectation. The future of these services and the people they serve and support, cannot be about doing the easy thing, but the right thing.
- 4.6 In highlighting the differences set out in business case, between 'optimal' and 'sub-optimal' – the latter is no criticism of the Council's operating model or way of working. Aspects of the Council are commercially focussed, nimble and have a well developed and managed risk appetite. However, the Council is a massive organisation, running and operating over 600 different services, with a back office and support services geared up to supporting all of these 'internal customers'. Many services – particularly those in Education and Social Care do not exist to serve a commercial end. Marketing support, as one example, is excellent, but has to serve hundreds of customers whose aims and objectives differ greatly - and so cannot be as responsive as is needed to a commercially focussed service like Leisure which, is competing in an aggressive market. The ADM option also enables greater freedom to tackle the cost base and engage the market on commercial terms. This includes a focus on terms and conditions. The full business case is **not** predicated on changing the standard terms and conditions of existing employees. However, there are issues related to this which will need to be addressed and these concern the unique circumstance of evening/ weekend enhancements paid at a rate which render the undertaking of commercial endeavours unviable. If the new entity/ ADM is to be a success and compete effectively in a market context, it is not unreasonable that it is able to create the conditions for growth – especially given one outcome of this will be to create wealth, opportunities and more jobs.
- 4.7 In a world where the new UK Research and Innovation has set one of its four grand challenges around the UK's rapidly 'ageing population'; technology giants are acquiring health and social care companies to solve big societal problems and the investment coming through Industrial Strategy to promote wellbeing is targeted at industry and non-public bodies – the new entity will enable exploration of new initiatives across leisure,

health and social care. Rising social care costs are a significant issue and the potential exists for the ADM to leverage networks, opportunities and new investment. Helping to give young people the best start in life and supporting the wellbeing of people and communities throughout the course of their lives requires behavioural shift, innovation and building a wellness legacy. Merely handing more of a diminishing budget to social care is not a sustainable or long-term solution and the ADM should be expected to play a core role in this regard.

## Form and Governance

- 4.8 The relationship between the three companies in the ADM Group is shown in the diagram below.



- 4.9 The Charitable arm is to be led by a Board of Trustees comprising nine Directors including two trustees nominated by MCC. The local authority controlled companies will be led by a separate Board of Directors comprising three directors nominated by the Council and two executive directors.
- 4.10 The Structure allows the group to operate in close partnership with MCC through their wholly owned Teckal and trading company, whilst having the benefits of independent charitable status for some of the work. The Teckal and trading companies allows greater freedom to engage in trade where it is needed. Services within the Teckal will be Green Infrastructure (including Rights of Way and Biodiversity), Play and Tourism Development. The Charity will contain services such as Museums, Attractions, Leisure, Youth and Outdoor Education. The structure provides full accountability back to MCC through the management agreement but will give the ADM the freedom to be entrepreneurial whilst ensuring that the organisation is operating as efficiently as possible. The Council will still be able to deliver its strategic vision through its grant and contractual arrangements and importantly its Board participation
- 4.11 The service specification agreed between the Council and the ADM would drive governance in terms of the requirement for compliance with its terms. This will include how the ADM reports to the Council on the annual business plan and how periodic reports are submitted to the Council. It is anticipated that the ADM Lead Officer will also present the annual report to Council. Regular reporting will also take place to MCC on overall performance and progress. The MCC Client Officer will also need to work with the ADM to plan future service requirements and to monitor the ADM's performance.
- 4.12 The ADM Board's will exercise their responsibilities by clearly setting out in the business plan and Management Agreement, the policy guidelines within which they expect the

management to operate. This sets out the short and long-term objectives of the organisation and a system for ensuring that ADM Lead Officers act in accordance with these directions. A procedure will be in place for measuring progress towards corporate objectives.

- 4.13 As the detail of the governance arrangements are a start-up consideration/ activity, the suggestion is the work is done through Audit Committee, given this is an important next stage of continued due diligence. The resultant Governance Framework will be set out in the Management Agreement and approved by Full Council prior to the enactment of the ADM.
- 4.14 A vital feature of the new ADM will be that all staff will work together as a single staff team, under the leadership of the ADM Lead Officers. This will ensure a seamless and integrated organisational culture, offering economies of scale and greater efficiency than the present arrangement of largely separate silos.

## **Evaluation**

- 4.15 The Business Plan sets out the vision and ambitions for the ADM for the next three to five years as well as the expectations around benefits anticipated to be delivered as part of that plan. The Business Plan is based on a clear financial strategy delivered through a series of annual action plans. Action plans will be clearly linked to overall priorities which will be reviewed and agreed annually by the Board.
- 4.16 Key outline financial and business metrics have been developed which will sit alongside other business metrics and the existing key performance indicators (see page 16 and 25 of the business plan) used to judge business performance.
- 4.17 To measure the outcomes of the ADM, an outcome measurement framework is being developed to embrace all activities (see page 15 of the business plan). The outcome areas are Healthy People, Inspired people, Engaged People, Vibrant Communities, Resilient Environment and Enterprising Communities. These areas will contribute towards the Monmouthshire Public Service Board's Well-being Objectives and the seven well-being goals for Wales identified in the Well-being of Future Generations (Wales) Act 2015.
- 4.18 The outcome measurement framework will identify the contributions made for each outcome area. It will provide measures to gather outcome based evidence and drive the improvement of performance by helping refine and develop programmes and activities in the light of the outcomes they deliver. The Council will have the opportunity to inform and scrutinise the framework as part of the Management Agreement, prior to ADM being enacted.

## **5. REASONS:**

- Sustaining access to essential and important local TLCY services is becoming increasingly challenging, to the point where current and future viability appears seriously compromised.

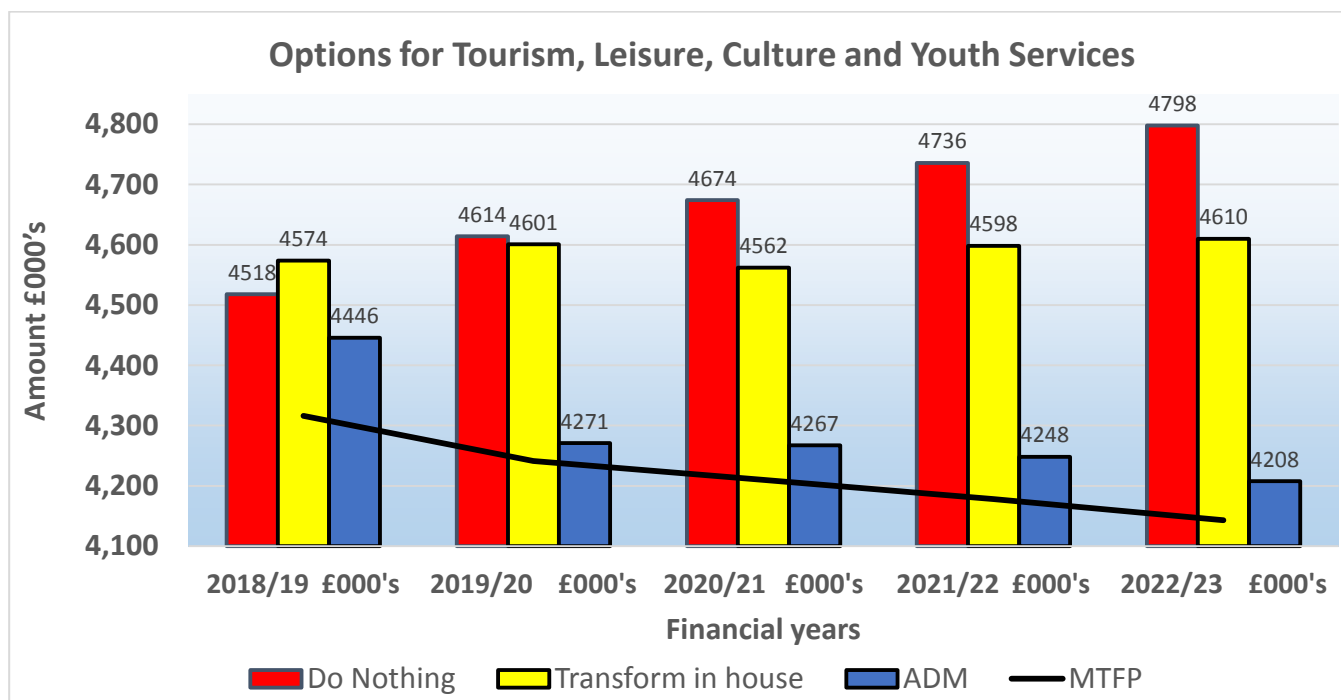


- Given the priority attached to continued sustainable delivery of these services, in serving the interests of wellbeing and wellness county-wide, new means of provision must be identified, tested, costed and delivered. The emphasis is less about ‘who’ delivers and is more about ‘what’ gets delivered in satisfying value for money and public demand and expectations
- The whole Council operating model must change if it is to meet the challenges of a continually reducing budget. The Medium Term Financial Plan sets out the aim of saving a total of £19.992m by financial year 2021/22, or broadly 6% of its annual revenue budget. The provision of the services outlined in this full business case is viewed as a crucial aspect of this cost saving programme.
- Whilst the Council makes moves towards a new operating model, as consistent contributors to the MTFP, TLCY services are at a cross-roads. Without significant changes and shifts, it is not possible for more efficiency or greater effectiveness to be gleaned in its current form. The time for TLCY is now if it is to act in the interests of both present and future generations. A new entity/ ADM is deemed to be the best means of achieving this and creating the conditions for optimisation
- The options appraisal, resultant full business case and business plan, bring together the culmination of 3.5+ years’ worth of work and due diligence. The work has been facilitated by an-house team, with all detailed analysis, legal advice, dual diligence and professional assurance support coming from independent experts Anthony Collins.
- The move to a new entity/ ADM enables the Council to exercise its role as strategic enabler – setting out expectations of strategic direction and having the necessary tools and levers to ensure operational delivery fulfils expectations.
- The move will provide opportunities for growth, development and heightened productivity. Teams can grow and learn; contribute to higher wellbeing and social justice goals and the opportunity to see the county reach its full potential
- The new entity can respond more quickly to market conditions and maximise its status as an effective ‘start-up’ business – creating wealth, opportunity and jobs and contributing to the economic productivity of the county.

## 6. RESOURCE IMPLICATIONS

### Financial appraisal of options

- 6.1 The following graph demonstrates the two options and compares this to the do nothing model. The black line then demonstrates the possible MTFP allocation over the next 5 years. Both Options will involve additional investment above the resources allocated through the MTFP. Table 2 demonstrates the costs of the two options for the next five years. The ADM option model at £21.440m is the lower cost option and brings with it the prospect of a profit share mechanism in the event target income levels are exceeded – saving the authority £1.505m over the Transform in house option.



**Table 2 – Five Years Option Costs**

MTFP Allocation £000's	Year	Transform in House			ADM		
		Operating costs	One-off cost	Total costs	Operating costs	One-off cost	Total costs
		£000's	£000's	£000's	£000's	£000's	£000's
4,316	2018/19	4,574	45	4,619	4,446	155	4,601
4,241	2019/20	4,601	-	4,601	4,271	-	4,271
4,210	2020/21	4,562	-	4,562	4,267	-	4,267
4,178	2021/22	4,598	-	4,598	4,248	-	4,248
4,143	2022/23	4,610	-	4,610	4,208	-	4,208
<b>21,088</b>	<b>Total</b>	<b>22,945</b>	<b>45</b>	<b>22,990</b>	<b>21,440</b>	<b>155</b>	<b>21,595</b>

6.2 The MTFP over a five year period allocates some £21.088m for TLCY services. The ADM Option which maintains and delivers these services will cost £21,440m. These additional costs will need to be built into the MTFP. The calculations for the options based upon the operation for a full financial year and in 2018/19 amount to £130k. As the ADM has an anticipated start date of 1<sup>st</sup> October, then only half of that cost needs to be added at 65k. Existing pressures occurring within these services currently stand at 202k and so half of that will also need to be factored in at 101k. The MTFP will also need to take account of extra costs of 30k in 2019/20, 57k in 20/21, 70k in 21/22 and 65k in 22/23.

### **Residual impact to the Council**

6.3 Central costs have been estimated at £970k and although the ADM is expected to continue to use the vast majority of back office and central support services, 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 further £71k at the end of year 3 and £109k by year 5.

- 6.4 Whilst these costs represent a potential pressure to the Council in future years, work will be commencing in advance in order to manage and eliminate these pressures through future rationalisation and restructuring of back office and central support services. These costs are therefore not included in the total costs shown in table 2 above.

### **Implications of VAT Ruling**

- 6.5 Financial conditions are changing. Most recently with the HMRC Ealing Ruling where a proposed change could bring a windfall income gain for councils as they would no longer have to deduct VAT from certain leisure services income streams. In order to evaluate the impact on both options, work has been undertaken by VAT Consultants which indicates that for the transform in house option, this would likely breach the limits set to govern VAT recovery in the council. By way of illustration and based on the Council's planned activities for 2017/18 the estimated impact was £614,000. Whilst mitigations could be brought about delaying capital expenditure on leisure services this would place restrictions around when investment could be carried out which would impede the delivery of the business plan.

### **Staffing and Workforce**

- 6.6 Engagement with staff has been a fundamental element of this ongoing process. Not only has engagement been undertaken from the initial stages of the process, it will continue to be an integral aspect that will be continuously implemented and monitored in a proactive way. Engagement is underpinned by organisational development, building on what is already embedded and developing this to ensure that services are transformed into solutions, that hearts and minds embrace its recommendations. Thus turning the rhetoric into reality, developing a positive and proactive healthy culture aligned to business acumen and seeing new opportunities in everything the organisation does.
- 6.7 Staff are our most valuable asset. Employees come first, and the ethos is that taking care of employees means they in turn, take care of customers. The process has engaged with, listened to and enabled staff to contribute to defining future mission and purpose and identifying areas of competitive advantage.
- 6.8 Over the past 30 months, employees have remained relatively optimistic about the prospect of change. A review in October 2017 established 68% of staff are motivated and willing to enhance services for the future to create resilience and purpose, whilst ensuring services are progressive and recognised for their excellence. Engagement with employees will continue to be prioritised in order to build upon values and ensure they are embedded in behaviours and practice. This will be particularly important in supporting the TUPE transfer of workforce from the Council to the ADM.

### **Assets**

- 6.9 The Council will need to determine the exact treatment of assets but the Council will retain ownership of the assets and lease to the ADM - it is only the provision and management of services that will transfer from the Council to the ADM. One of the key aspects of the

ADM is that the Council will retain ownership of the assets and therefore it is in the interest of the Council to maintain these assets. The assumption is that the ADM would be responsible for day to day maintenance and the Council would retain major maintenance duties. The business plan for the ADM assumes a capital investment of £1m in assets in years 2 and 3 which is funded by additional income generation. In this arrangement the Council will fulfil the role of ‘borrower’ with debt servicing costs funded by the ADM through income generation activities. The additional benefits of a charitable organisation is that it can access other opportunities through restoration grants and projects that could lessen the burden.

### One-off ‘start-up’ costs

- 6.10 The Council will incur costs during the setup of and initial transition to the ADM model. These are projected to be in the region of £155k as shown in table 3 and in the recommendations for expenditure in areas such as set up costs, legal costs, media, website and marketing. The financial and legal costs relate to the employment of Solicitors and Financial Advisors to assist with the legal set up of the ADM. Additional marketing support and branding will be required prior to the set up to ensure the ADM will be able to respond commercially from the outset. Additional HR support will be needed to guide MCC through the TUPE process and the corporate governance costs relate to the process of establishing and training the Boards. The start-up fund will be drawn from the Priority Investment Reserve.

**Table 3: One Off Costs**

One Off Costs	Option 2	Option
	Transform in House	3 ADM
	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
<b>Total</b>	<b>45</b>	<b>155</b>

## 7. SAFEGUARDING IMPLICATIONS

- 7.1 The new entity/ADM will be as committed to ensuring that people living within the County are safe and protected. The workforce shares a responsibility, both collectively and individually, to ensure that children and adults at risk are protected from harm. Within the ADM, services will continue to prioritise safeguarding measures, reflect on current practice and continue to train staff to the appropriate levels. Employees, volunteers and contractors who come into contact with children or adults at risk in the course of their duties will be expected to understand their responsibility and where necessary take action

to safeguard and promote the welfare of vulnerable people. The ADM would seek to continue its representation on the Monmouthshire County Council Whole Authority Safeguarding Group and will ensure compliance with all policies and procedures. There will be an appointed Safeguarding Lead Officer for the ADM and safeguarding will be a standing item on all meeting agendas across the organisation. The ADM workforce will attend appropriate training to continue to build its strong credentials within this area. The ADM would also complete SAFE audits with continued support by the MCC safeguarding team to ensure all aspects are covered and have a robust reporting system for any concerns that are raised or identified on site. All of the above practices will continue to be central to all services and remain everybody's responsibility.

## 8. CONSULTEES

<b>Organisation/Consultees</b>	<b>Frequency of engagement</b>	<b>Purpose/Outcomes</b>
Senior Leadership Team Finance Legal	Frequently throughout the past 30 months	To receive scrutiny; guidance and critical advice to aid the process to achieve the optimum recommended position for the authority to present for political decision
Joint Select Committee	September 2016 February 2017 July 2017	To scrutinise draft Outline BC; draft Business Case and provide guidance and recommendations on next steps
Cabinet	May 2016 October 2016	To receive OBC; draft BC and eliminate options to prepare for final decision on optimal model for TLCY services
Council	October 2016 March 2017	To receive OBC; draft BC and eliminate options to prepare for final decision on optimal model for TLCY services
Members Seminars	February 2016 June 2016 December 2016 June 2017	To discuss specifics around Governance; options appraisal and finance.
Anthony Collins Solicitors	Through various face to face and skype calls over period of project	To support the project team and give expert advice through the stages of this project
Other established Trusts	Aspire Social Care, Salford Aspire Leisure, Salford Vivacity, Peterborough Torfaen Leisure, Aneurin Leisure, Newport Live	As part of a reconnaissance exercise to glean information on the setting up of these trusts: processes undertaken; milestones achieved; learning; barriers and achievements made
Town and Community Councils	21 Community Councils and 5 Town Councils	To share potential models for TLCY services and the benefits/consequences. Overall responses were positive and in main supported an ADM model.
Trade Unions	Quarterly through JAG; informal TU/MCC mtgs/ specific TU/staff conferences/Project team	To share detail of each stage of the process and to give opportunity for queries to be raised and dealt with at the appropriate meeting level.

Organisation/Consultees	Frequency of engagement	Purpose/Outcomes
	mtgs specifically geared to discussions around future models for TLCY services	
Local Access Forum	May 2017	To update and consult on the options for a new delivery model including for countryside access services which the forum noted.
Staff within TLCY	4 conferences; 16 staff workshops (vision,; values; culture; customer journey); 19 service team meetings	To ensure staff are communicated appropriately and furnished with details at appropriate stages of the process; opportunity to ask questions; and be an integral part of the process
Joint Select Committee on 15 January 2018	As below	As below

### Joint Select Committee Minute – 15<sup>th</sup> January 2018

#### **Future Monmouthshire: Preferred Delivery Model for Tourism, Leisure, Culture and Youth Services**

##### **Context:**

To receive a presentation and scrutinise the preferred option for the future of Tourism, Leisure, Culture and Youth Services (TLCY) and to undertake pre-decision scrutiny of the evidence base and business case to support the preferred option.

##### **Key Issues:**

In considering the need of the future delivery model of Tourism, Leisure, Culture and Youth Services (TLCY) the following options had been thoroughly researched and considered:

- a) Delivery Option One: Do Nothing.
- b) Delivery Option Two: Transform the Services 'in house'.
- c) Delivery Option Three: Move the Services into an Alternative Delivery Model (ADM).
- d) Delivery Option Four: (a) Outsource the services to a private sector operator or (b) existing Charitable Trust.

##### **Member Scrutiny:**

- The impact of VAT changes would breach the partial exemption calculation in the sum of £200,000, but the Authority would be required to repay a higher amount. The Authority would need to be mindful when undertaking its investment which would limit the Authority when it could make potential changes. Monmouthshire's VAT advisers have stated that it does seriously breach Monmouthshire's partial exemption calculation and the recommendation would be that the ADM would be the preferred alternative.
- In response to a question raised regarding commercial failure, it was noted that failure does occur in commercial ventures, the differentiating factor is how the steps are taken to convert this to success.

- These service areas have been one of the top contributors to the Medium Term Financial Plan (MTFP).
- The ADM will be customer focussed with the citizen being placed at the centre of the service being provided. Initially there will be a period of consolidation followed by providing sustainability and optimising performance. Each building will require significant investment to make the customer experience better.
- The Head of Tourism Leisure, Culture & Youth is the chair of the region for leisure and sports development and works collaboratively with nearby local Authorities. The sharing of resources is a good opportunity.
- With regard to the Service Level Agreements (SLAs) in schools, a productive meeting had been held with the four head teachers and the Chief Officer for Children and Young People. All agreed that there was a need to understand the operational management of the sites. Schools have an opportunity to generate income and will continue to do so.
- It was a financial consideration for removing Events Management from the ADM. One of the main considerations was that if we went outside the Authority the VAT for the artists and infrastructure would have to be paid. The ADM would not be best placed to host major events due to the financial aspects required up front in order to undertake this type of work. However, the ADM will still hold community events.
- Clydach Ironworks and similar sites require development. It was noted that the countryside team has been looking at these sites with a view to looking to work with partners to establish sustainable development of these heritage sites.
- In response to a question regarding VAT at events, it was noted that HMRC has made a ruling regarding cultural events in which a VAT exemption will apply. However, HMRC does not class a fireworks display as a cultural activity.
- In the early stages of the ADM the residual impact to the Council will be mitigated through continuity of relationships through agreements to continue operating back office services to the ADM. For example, there will be a need to be mechanisms in place to pay staff, suppliers and collect income. In time, the ADM could review this process.
- £4.4 million maintenance backlog – priorities remain around ensuring that the buildings are safe to use and the Authority is spending money to maintain these buildings. The current strategy is the correct strategy for the amount of funding currently available. In order to solve the backlog issues, this will only arise from new ideas and new investment.
- Business expertise is important.
- Partnership working will be undertaken.
- With regard to addressing grants and income streams, an officer is in post with the correct qualifications and is working with the teams with a view to identifying opportunities to generate income.
- When the decision is made regarding the future of the ADM, a coherent communication strategy will be formulated.

- In response to a question of accountability with regard to the success of the ADM, it was noted that there would be accountability at Council level, the Teckal Board, and the ADM Board, when established.
- It was noted that Mounton House School has a relatively new gymnasium, adequate parking and is out of town. It would be a good location in which to hold junior league sporting events. The school is used by other authorities to hold sporting events. Work is currently ongoing on the review of Additional Learning Needs.
- Ongoing knowledge transfer will be required to ensure that the Authority learns from the success of the ADM and internalises this knowledge within the Authority.
- In terms of financial information for the new organisation, it is critical. The ADM will be looking to re-arrange its cost centre structure and be set up to run like a business. There will be service level agreements with the Authority regarding back office staff, with a view to monitoring and regulating costs.

#### **Committee's Conclusion:**

- **Difficult decisions will have to be made to ensure the sustainability of discretionary services.**
- **The Committee discussed commercial risk / success and failure and it is critical that the Authority learns from previous mistakes.**
- **Residents need to be consulted and be the focal point of the new model.**
- **Ensure sustainability and resilience of the services and ensure performance is optimised.**
- **In the early stages there is a need to shape the commercial culture using data to drive evidence based change and upgrading some of the assets through managed maintenance.**
- **More work is required in terms of staffing capacity and to ensure that the correct expertise is in place. However, the ADM is starting from a very sound base with expertise in house regarding external investment.**
- **Various options have been explored including a regional model.**
- **The Authority's environmental and heritage capital needs to be protected for future generations.**
- **More work is required with regard to Service Level Agreements (SLAs).**
- **Implementation and delivery of the ADM will be crucial.**
- **Further work is required around governance to ensure maximum accountability.**

**It was proposed and seconded that Cabinet considers option 3, to move the Services into an Alternative Delivery Model (ADM).**



**Upon being put to the vote the following votes were recorded:**

**In favour of the proposal - 10**  
**Against the proposal - 0**  
**Abstentions - 2**

**The proposition was carried.**

**We recommended that Cabinet considers option 3, to move the Services into an Alternative Delivery Model (ADM).**

## **9. BACKGROUND PAPERS**

**Appendix A – Full Business Case**

**Appendix B – Transitional Business Plan**

**Appendix C – Future Generations Evaluation**

**Appendix D – Additional questions for consideration and response by SLT and Finance Colleagues**

**Appendix E – Commentary on Board Structure and Make-up (Anthony Collins paper)**

**Appendix F – Trade Union Statement**

## **10. FUTURE GENERATIONS IMPLICATIONS**

The completed Future Generations Evaluation can be found in Appendix B however the main positive and negative impacts of the proposal are as follows:

The purpose of the proposed Alternative Delivery Model is to ensure much valued local services are maintained and by their nature continue to provide employment, growth and an increasingly skilled workforce. The proposed Alternative Delivery Model will enable services to be kept open but with more community focus and coordination, helping knit communities together. Activities in establishing the Alternative Delivery Model will require positive engagement and coordination with community focused services as well as income generation and investment in key aspects of the business to ensure the culture and business thrives. Incorporated services will contribute greatly to our local culture, heritage and art with the promotion of activity, health and wellbeing forming part of its key drivers.

## **11. AUTHORS:**

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## Appendix C

## Evaluation Criteria – Cabinet, Individual Cabinet Member Decisions & Council

<b>Title of Report:</b>	<b>Future of TLCY</b>
<b>Date decision was made:</b>	<b>29<sup>th</sup> January 2018</b>
<b>Report Author:</b>	<b>Kellie Beirne</b>

### What will happen as a result of this decision being approved by Cabinet or Council?

As a result of this decision a new entity will be established which will deliver Tourism, Leisure, Cultural and Youth Services on behalf of MCC. A new organisation will be formed with new management structure and a board will be appointed to deliver the first year of a business case/plan approved by MCC. Further to this agreed governance and service level agreements will be developed dependant on the nature of the various business and service relationships with MCC and partners. The go live date is currently planned to be October 1<sup>st</sup> 2018 so if this decision is reviewed in 12 months the new entity should be fully operational.

12 month appraisal

Was the desired outcome achieved? What has changed as a result of the decision? Have things improved overall as a result of the decision being taken?

### What benchmarks and/or criteria will you use to determine whether the decision has been successfully implemented?

The set-up and establishment of the organisation and charity, the recruitment of a board and team – there is an evaluation framework included in the business plan. The decision to establish a new entity will be measured against timescales suggested for implementation of October 1<sup>st</sup> 2018, HR and legal frameworks, performance over the coming years by annual reports where finance, core KPI's and the evaluation/outcome framework will be scrutinised.

12 month appraisal

*Paint a picture of what has happened since the decision was implemented. Give an overview of how you fared against the criteria. What worked well, what didn't work well. The reasons why you might not have achieved the desired level of outcome. Detail the positive outcomes as a direct result of the decision. If something didn't work, why didn't it work and how has that effected implementation.*

### What is the estimate cost of implementing this decision or, if the decision is designed to save money, what is the proposed saving that the decision will achieve?

The costs of the decision are highlighted in the report however the fine detail and additional working still need to be considered. As the paper stands the decision has two options – the recommended option of ADM will mean a set up cost/expenditure of £155k. All other budget figures regarding the option are including in the business case and business plans.

12 month appraisal

*Give an overview of whether the decision was implemented within the budget set out in the report or whether the desired amount of savings was realised. If not, give a brief overview of the reasons why and what the actual costs/savings were.*

Any other comments