

Business Change Mandate (Including Budget Mandates) Proposal Number: **B1**
Title: **Assess the feasibility to establish an Alternative Service Delivery Model**

All information requested must be completed on the proposed mandate to enable the Cabinet to decide whether to proceed with the proposal.

Mandate Completed by	<i>Cath Fallon, Ian Saunders</i>
Date	<i>14th September 2015 Updated on 07.12.15</i>

How much savings will it generate and over what period?
£120k 2016/2017 – initial savings including service realignment, rationalisation and income generation. £254k 2017/2018 – initial savings due to 80% reduction on NNDR on new alternative service Delivery model.
Directorate & Service Area responsible
Enterprise – Tourism, Leisure and Culture
Mandate lead(s)
Ian Saunders/Cath Fallon/Tracey Thomas

Final mandate approved by Cabinet	Date:
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1. Vision and Outcomes of the Mandate

Give a business context for the mandate. This must pick up on the vision and what the new / improved / reduced service will look like in the future including the anticipated experience of users. It must also consider any impact on the Council's key priorities and strategic outcomes. Similarly does it impact on service performance within the immediate service area or any impact on other services provided by the authority / any other providers. In doing so, the mandate must be tested against the equality impact assessment and sustainable development impact assessment and must consider impact in relation to the new Future Generations Bill.

What is the issue that the proposal is seeking to address?

A recent addition to Monmouthshire County Council's priorities is the desire to maintain locally accessible services aligning with our wider vision of creating sustainable and resilient communities. However with the current backdrop of austerity measures, there is a risk to the continued delivery of non-discretionary local services. This is particularly pertinent in the Tourism, Leisure, Culture, Outdoor Education and Youth Service areas where local services are operating in an environment where limited funding is available yet the community still wish to see the delivery of these local services maintained.

What evidence have you got that this needs to be addressed?

Historic operating data and a recent service area review has identified a need to rationalise the current working model and improve practices within the Tourism, Leisure, Culture, Outdoor Education and Youth Service area. The wider austerity backdrop also demonstrates that minor tweaking of services will not solve the significant budget deficit issue. There is therefore a need to look at an alternative service delivery model that will not only meet the Council's priority of maintaining locally accessible services but will also meet the needs of the community whilst supporting the ethos of inclusive public sector service delivery.

How will this proposal address this issue

This proposal seeks to consider the recommendations of the reviews within the service areas. An options appraisal will then be undertaken to consider all services within the scope of the proposed alternative service deliver model. A service realignment and rationalisation exercise within the Tourism, Leisure, Culture, Outdoor Education and Youth Services will also be undertaken as part of the process. Operating as a start up entity the features of the Model will be as follows:

- A spin out vehicle for delivering, growing and sustaining locally accessible services;
- Income generation service areas to be used to cross subsidise less profitable services to ensure locally accessible services are maintained
- Flexibility for the Council to address any non-performance or failure to deliver services at a local level through its sole ownership and pre-determined annual delivery plans;
- Compliance with EU procurement legislation and an ability to deliver services on behalf of the Council by making use of the TECKAL

exemption and S77 regulation;

- Capital assets transfer and subsequent asset lock to be considered to enable scope to leverage in third party finance to facilitate the delivery of services;
- Tax efficiency via its charitable status i.e. NNDR relief, VAT relief, some exemptions on corporation tax, capability of achieving gift aid donations; and
- Potential TUPE of staff into the Model.

In addition a Trading Arm will be established to monetise and commercialise the alternative service delivery model enabling the opportunity to maximise profit potential in areas such as catering, retail, venue hire and events management – potential income/profit that the Council is currently losing to private sector operators.

What will it look like when you have implemented the proposal

The model requires economies of scale to be successful therefore implementation of the proposal will take place over several years.

During 2015/16 an assessment of the service area reviews will be undertaken along with an options appraisal and cost benefit analysis to identify areas of duplication, inefficiencies and budget savings to ensure that any services are operating at maximum efficiency, following which a business case will be presented.

In 2016/2017 we will look to generate initial savings including income generation, service realignment and rationalisation. Explore Capital assets transfer and subsequent asset lock to enable scope to leverage in third party finance to facilitate the delivery of services. Defining and preparing a full five year business plan case ready for the new model commencing in 2017.

In 2017/2018 the preferred model and associated Trading Arm will commence operating.

Expected positive impacts

This approach offers better value for money and service delivery to the Council and Monmouthshire communities and visitors as the Model will:

- have a clearly aligned purpose and vision;
- be functional and fit for purpose;
- operate at low cost yet maximise commercialisation opportunities;
- address historic issues associated with service delivery such as operating in uncompromising spaces;
- enable rationalisation of services with opportunities to develop site specific community access projects rather than a generic offer; whilst
- enabling de-duplication of skills through the rationalisation of current structures and assets.

Expected negative impacts

The development and subsequent delivery of the model is likely to lead to:

- a rationalisation of service delivery points;
- a subsequent reduction in staff numbers due to the realignment and rationalisation exercise;
- the Council no longer having full control over the delivery of services that will be contained within the Alternative Delivery model; and
- an increase in governance pressures with the establishment of an alternative delivery model Board for strategic direction.

2. Savings proposed

Show how the budget mandate will make savings against the current service budget. This must cover each year implicated. This section must also cover any other efficiency that will arise from the mandate.

What savings and efficiencies are expected to be achieved?								
Service area	Current Budget £	Proposed Cash Savings £	Proposed non cash efficiencies – non £	Target year				Total Savings proposed
				16/17	17/18	18/19	19/20	
Tourism, Leisure, Culture and Youth Services	£318,026.66	£120,000		£120,000				Service realignment, rationalisation & income generation.
Tourism, Leisure, Culture and Youth Services		£254,000			£254,000			£254,000 NNDR 80%

3. Options

Prior to the mandate being written, an options appraisal will have taken place. Summarise here the outcome of the Options considered and detail the rationale on why they were disregarded. (see options appraisal guide for further information)

Options	Reason why Option was not progressed	Decision Maker
Status Quo	<ul style="list-style-type: none"> • Net cost of the cultural 'service' alone in 2014/15 was £1.08m. 2015/16 budget is £770k therefore the service is currently running at a deficit. • The museums service is hugely overstretched and unsustainable • The whole service area is operating independently of each other so opportunities for cost efficiencies and savings are being lost • Potentially profitable services such as catering are being run by the private sector so valuable profits that could support vulnerable services are being lost • Leisure and Outdoor Education maintain current income levels however the opportunity for investment, growth and new income targets will not be achievable. 	Cabinet
Outsourcing of central services to private companies or joint venture vehicles in which the local authority and a private company participate.	<ul style="list-style-type: none"> • Initial financial gains to be made but may not meet the future needs of the community • Unlikely to support the ethos of inclusive public sector service delivery as will be more profit rather than community focussed • The council will not maintain full control. 	
Local Asset Backed Vehicles (LABVs) – where the local authority will transfer assets and a private company partner will match the value of those assets with capital to deliver infrastructure projects.	<ul style="list-style-type: none"> • Only addresses part of the problem as this model is focussed on service delivery rather than infrastructure per say. • Initial financial gains to be made but may not meet the future needs of the community • Unlikely to support the ethos of inclusive public sector service delivery as will be more profit rather than community focussed • The council will not maintain full control. 	
The use of wholly owned or joint venture for-profit, mutually-owned companies capable of distributing profits to the local authority.	<ul style="list-style-type: none"> • Initial financial gains to be made but may not meet the future needs of the community • Unlikely to support the ethos of inclusive public sector service delivery as will be more profit rather than community focussed 	
The use of individual discrete trusts to deliver particular services – this	<ul style="list-style-type: none"> • Although popular evidence suggests that there are more benefits to be gained by economies of scale. 	

has proven popular in relation to leisure services;		
The outsourcing of management services related to particular functions to wholly owned local authority companies – such as the Arm's Length Management Organisations (ALMOs)	<ul style="list-style-type: none"> The proposed Trust Model is an expansion of an ALMO but with a community purpose The Trading Arm also offers an opportunity for increased income generation and cross subsidisation 	
Joint commissioning with other local authorities	<ul style="list-style-type: none"> Monmouthshire County Council will not maintain full control. 	

4. Consultation

Have you undertaken any initial consultation on the idea(s)?		
Name	Organisation/ department	Date
Pre review stage consultation	Staff, members, DMT, SLT	April 2015

Has the specific budget mandate been consulted on?		
Function	Date	Details of any changes made?
Department Management Team	Various dates	Cultural services review started process which started to consider TLC and beyond
Other Service Contributing to / impacted	14 th /15 th Sept	Budget workshop and SMT Budget sessions with all mandate holders & HOS
Senior leadership team	25 th Aug	Budget mandates on agenda
Select Committee	22 nd 24 th Sept informal formal. Formal 4 th November.	
Whole Local Authority staff group	28 th September via the staff conference.	
Public or other stakeholders	Consultation commences on the 8 th October and runs until 30 th November. Events will take place on week commencing 16 th and 23 rd November. (in line with consultation plan)	
WLGA and feedback from established models/operational trust	November Feedback from WLGA and CEO's of Alternative delivery models have provided technical feedback around NNDR and timescales which is why the mandate regarding this part has been re-aligned to 2017. Also Welsh Government have suggested funding may become	

	available for transformation
Cabinet (sign off to proceed)	This is planned for 6 th January 2016

Will any further consultation be needed?		
Name	Organisation/ department	Date
Select – There will be a joint super select	All committees	16 th December
Workforce Engagement event	All teams together from Leisure, Outdoor Education & Youth	15 th December
Consultation with all stakeholders is key for this mandate and will be on going throughout the mandate where and when appropriate.		

5. Actions to deliver the mandate

Describe the key activities that will be undertaken to deliver the mandates and the action holders. This includes any actions contributed to by other services. Give the timescales to complete the work. This must also factor in any business activities that will need to be done differently or cease in order to achieve the mandate.

Action	Officer/ Service responsible	Timescale
Assessment of existing service area review and consideration of additional reviews to be undertaken i.e. Leisure Services and Youth Service	Ian Saunders/Tracey Thomas/Ian Kennet/Cath Fallon	Sept – Feb 2016
Staff consultations	Ian Saunders/Tracey Thomas/Ian Kennet/Cath Fallon	September 2015 onwards
Assessment of viability of existing MCC CIC CMC ² to determine if it can be adapted to fit new purpose	Cath Fallon/CMC ² Board Members	Sept – Mar 2016
Establishment of Trading Company and new service delivery model (if CMC ² is deemed unsuitable)	Cath Fallon	June - Dec 2016
Capital Assets Transfer to Model to enable NNDR savings and scope for new Model to leverage in third party finance	Cath Fallon/Ian Saunders/Ben Winstanley	Sept – March 2017
Financial disaggregation of service area budgets and cost benefit analysis to identify areas of duplication, inefficiencies and budget savings to ensure any services transferred into the model will be operating at maximum efficiency.	Cath Fallon/Ian Saunders/Finance colleagues	Sept – March 2016
Assess capital investment requirements prior to capital assets being transferred into Model	Cath Fallon/Ian Saunders/Finance colleagues/Estates team	Sept – Sept 2016
Commence lease termination process for those assets that will no longer be required for new Service Delivery model.	Cath Fallon/Ian Saunders/Finance colleagues/Estates team	Sept – Sept 2016

Identify suitable staffing structures for both the Service Delivery Model and the Trading company and commence TUPE and recruitment processes.	Ian Saunders/Tracey Thomas/Ian Kennet/Cath Fallon	Dec 2015 – Dec 2016
Establishment of policy and procedures for Trading Company and Service Delivery Model	Cath Fallon	April 2016 – September 2016
Establishment of governance structures for Service Delivery Model to include a Board of Directors	Cath Fallon	April 2016 – September 2016
Establishment of banking and audit procedures for Trading Company and Service Delivery Model	Cath Fallon	April 2016 – September 2016
Service Delivery Model and Trading Company to commence trading		December 2016 – March 2017

6. Additional resource/ business needs

Describe any additional finance, resource and capability needed in order to carry out the proposed mandate successfully. For example new funding, expertise e.g. marketing and knowledge etc..

Any additional investment required	Where will the investment come from	Any other resource/ business need (non-financial)
Extension of Amion contract to undertake further service reviews £30,000	Invest to Redesign Cabinet report Oct 2014	Buy in from service leads and Senior Leadership Team
Backfilling of Senior Officer posts to enable the model to be developed and delivered Professional advocacy and skills regarding legal issues and facilitation of workshops £60,000	Invest to Redesign Cabinet report Oct 2015	Tender document now on Sell To Wales so will shortly have more defined figure.
As the review evolves and we look at realignment and rationalisation and prepare a full five year business plan case ready for the new model commencing in 2017 there could be potential redundancy costs.	Unknown until full business case is developed.	

7. Measuring performance on the mandate

How do you intend to measure the impact of the mandate? This could include: speed of service; quality of service; customer satisfaction; unit cost; overall cost. For advice on developing performance measures you can contact Policy and Performance Team, for advice on unit costs speak with your directorate accountant.

Focus- Budget / Process / Staff / Customer	Indicator	Actual 2016/17	Actual 2017/18	Actual 2018/19	Actual 2019/20	Target 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Budget	Identification of cost savings and efficiencies to be made as a result of service reviews		£254						
Process	Identification of service rationalisation opportunities for services included in the proposed model.	£120k							
Staff	Identification of staffing efficiencies as a result of service reviews. Morale, labour turnover.	tbc							
Customer	As a new service delivery model established with a drive to maintain locally accessible services excellence in customer service delivery will be key. Once established key performance targets will be set which will be clarified as part of the annual service delivery plans.	tbc							

8. Key Risks and Issues

Are there any potential barriers and risks that will need to be managed in delivering the mandate, including any negative impacts identified in section 1 that need to be accounted for. Also, set out the steps that will be taken to mitigate these. The risks should be scored in accordance with the [council's policy](#).

Barrier or Risk	Strategic/ Operational	Reason why identified (evidence)	Risk Assessment			Mitigating Actions	Post mitigation risk level
			Likelihood	Impact	Overall Level		
Lack of buy in from Senior Leadership team	Strategic	Proposal yet to be approved	Low	high	Low	Full options appraisal and delivery plan to be presented.	Low
Lack of buy in from Council Members	Strategic	Proposal yet to be approved	Low	High	High	Full options appraisal and delivery plan to be presented.	Low
Financial	Operational	Current lack of	Medium	High	High	Clear financial analysis to be presented by	Low

disaggregation of service area budgets		clarity				financial colleagues.	
Lack of acceptance from staff members	Operational	Current confusion as a result of limited information available.	Medium	Medium	Medium	Clear options appraisal and delivery plan to be presented. Full consultation process to be undertaken.	Low
Council will no longer have full control over the delivery of the services that will be contained within the service delivery model.	Strategic and operational	Service delivery model will be guided by an independent Board	Medium	High	Medium	As the Council will be the sole member of the service delivery model there is little risk that the Board will make decisions that are contrary to the priorities of the Council.	Low
Council will be required to make a payment for the delivery of services pertaining to the annual delivery plan.	Strategic and operational	An annual payment will be made by the Council in return for services delivered.	Low	Medium	Low	Key performance measures and targets will be included in the annual delivery plan to ensure that non-performance or failure can be addressed immediately.	Low

9. Assumptions

Describe any assumptions made that underpin the justification for the option.

Assumption	Reason why assumption is being made (evidence)	Decision Maker
Alternative delivery model and trading company will be approved	Given the backdrop of increasing austerity if local service delivery is to be maintained then new methods of delivery will be required	Cabinet/Council

The service area reviews will identify opportunities for service rationalisation and increased efficiencies.	The opportunity to assess the viability of current services through the lens of rationalisation and increased efficiency is highly likely to identify cost savings. In addition the rationalisation and subsequent realisation of the capital assets of some sites will not only lead to a capital receipt but also reduced overheads across the service areas.	Cabinet/Council
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10. Monitoring the budget mandate

The budget mandates must be monitored through directorate budget monitoring. This will lead into corporate budget monitoring. In addition the action plan, performance measures and the risk assessment must be transferred into the service plans for the business area in order to monitor and challenge the delivery of the budget mandate, including the savings being achieved and the level of impact.

How will we monitor the mandate?

We will monitor the mandates :-

- The mandate will be monitored via the usual mandate monitoring plan ever quarter. The monitoring will be carried out by internal stakeholders from HR, Legal, Finance, Comms and Mandate Programme management. Monitoring will be reported alongside all other mandates and will publicised.
- A scrutiny panel will be established from all select committees to formally scrutinise the mandate during all stages of delivery.

11. Evaluation

It is important to evaluate the impact of the mandate once it has been fully delivered to know whether it has successfully achieved what it set out to do and to ensure that findings can be used to inform future work.

Planned Evaluation Dates	Who will complete the evaluation?
In line with business case	Chief Officer, Kellie Beirne. – Full evaluation will reported to scrutiny and cabinet.