

SUBJECT: FUTURE MONMOUTHSHIRE: PROPOSED NEW DELIVERY OPTION FOR TOURISM, LEISURE, CULTURE AND YOUTH SERVICES

MEETING: JOINT SELECT COMMITTEE

DATE: 19TH SEPTEMBER 2016

1. PURPOSE:

- 1.1 To propose a new Delivery Option for the Leisure, Tourism, Culture and Youth Services following an independent options appraisal by Anthony Collins Solicitors and seek agreement on the next steps.

2. RECOMMENDATIONS:

- 2.1 It is recommended that Cabinet agrees the following:
- To give full consideration to the appended Strategic Outline Case based on the independent findings of Anthony Collins Solicitors;
 - To agree the principle recommendation made by Anthony Collins which is to establish a new Alternative Delivery Model (ADM) based on a flexible group structure;
 - To agree the scope of the ADM and which services will be transferred at inception and those Services which will be considered for future phases;
 - To continue the staff, community and service user consultation process;
 - To agree to the internal recruitment of a shadow core staffing structure to take the ADM process forward and establish the ADM;
 - To produce a draft business plan for the ADM for approval prior to establishment which will identify the additional funding required to finance any supplementary work.

3. KEY ISSUES:

BACKGROUND

- 3.1 In 2014, Cabinet approved an initial investment of £30,000 to commission Amion Consulting to undertake a comprehensive review of the future options for our Cultural services. The purpose of the review was to identify future delivery options with an overall objective of improving, sustaining and developing local services to enable them to become more self-reliant and resilient. During the review it became apparent that cultural services overlapped many of the wider tourism, leisure and culture services so rather than view cultural services independently, it made sense to view the inter-dependencies at a service wide and local level. In addition, analysis of experiences of other local authorities with new operating models, has demonstrated that critical mass in achieving economies of scale, cross subsidisation and mutual support are critical success factors as well as an opportunity to rationalise service delivery.
- 3.2 In October 2015 Cabinet approved the release of £60,000 from the Invest to Redesign fund to finance the supplementary work needed to mobilise the Leisure, Events, Youth and Outdoor Leisure services. In addition, in May 2016 Cabinet approved the 'Future Monmouthshire' a strategic programme of 'whole-authority' work 'to create the capacity and foresight to develop solutions to some of the county's biggest challenges, this proposal forms part of this strategic programme.
- 3.3 This report gives full consideration to the independent findings of Anthony Collins Solicitors, appointed to undertake the supplementary work for this proposal, as detailed in the appended Strategic Outline Case.

4. REASONS

With increasingly constrained resources the Council needs to identify and consider new ways of working and operating in order to 'maintain locally accessible services' as the demand for local services continue to grow. New options and operating models for service delivery are therefore required if the Authority is to become more effective and efficient. The Council's Tourism, Leisure, Culture, Outdoor Learning and Youth Service has a combined budget of £2.639m with approximately 441 staff. Although initially the services in scope included Community and Adult Education and Museums a deeper assessment of these services has concluded there is a significant amount of transformational work to be undertaken within the Council prior to their full consideration to include current service offer, premises, staffing ratios and funding. The list of services for this proposal therefore include: Leisure, Fitness and Outdoor Education; Youth services; Countryside services to include managing access to the countryside, visitor sites, biodiversity issues and outdoor learning and play; Tourism Marketing, Development, Visitor Information provision and Events; and Management and marketing of Monmouthshire's Visitor Attractions to include Caldicot Castle, Tintern Old Station and Shire Hall, Monmouth.

Over the last four years these Services have contributed over £1.65m of revenue savings to the Council and generated £17 m of income. However there are no more efficiencies to be made and given the current period of austerity if these services are to remain in the Council the implications are shown in the table below:

Year	MTFP Allocation £000's	Expected Net Cost £000's	Funding Shortfall £000's
2016/17	2,639	2,902	263
2017/18	2,598	2,906	308
2018/19	2,554	2,919	365
2019/20	2,509	2,934	425
2020/21	2,462	2,945	483

- Footnote – expected costs include; inflation at projected CPI rates, impact on demand of annual price increases of 2.5% and known current pressures

The table shows a significant gap between the net costs of the services and the Medium Term Financial Plan (MTFP) allocation. The MTFP is currently showing a shortfall of 12% over the next four year period and if this was to be applied proportionally to all services would further increase the funding gap by 2020/21 to £542k. In order to meet the budget targets, there would need to be reduction in services for 2017/18 by 10% which rises to 20% in 2020/21. This is the scale of the huge challenge facing these Services given the increasing demands and expectations.

4.1 The objectives of Anthony Collins have been to consider the right mix of Services and the best new Delivery Option to help the Council address the projected £542k funding shortfall over the next four year period. A full analysis of options (**Appendix Three of the Strategic Outline Case**) has resulted in four recommended Principle Delivery Options namely:

- Delivery Option One: Do Nothing
- Delivery Option Two: Transform the Services 'in house'
- Delivery Option Three: Move the Services into an Alternative Delivery Model (ADM); and
- Delivery Option Four: Outsource the services to a third party.

The Pros and Cons of each of the four delivery options were then measured in order to assess the strategic, economic, commercial, financial and management case for change. In addition a wider analysis was undertaken, informed via a Due Diligence process. Best practice research was also carried out to find other Councils who have implemented innovative Delivery Options. In addition the Options were also assessed again their ability to meet the Council's four key priorities whilst also providing enhanced opportunities to:

- Increase flexibility and agility in responding to needs and change;
- Freedom to market and trade its services;
- Improve Services through innovation and a culture of enterprise;
- Introduce lean processes that reduce duplication of effort and increase use of technology and self-service, making it easier for residents to access services and obtain information and advice;
- Empower and motivate staff thus raising productivity;
- Access funding and tax efficiencies currently outside the scope of the Council; and
- Offer higher levels of engagement and achieve economies through collaboration and partnership.

4.1 FINDINGS

As one of the Council's key priorities is to 'maintain locally accessible services' the options appraisal needed to assess which of the principle Delivery Options could create the potential for growth and sustainability for the services as well as an analysis of the legal and governance structures available and make recommendations on:

- Growth and investment opportunities;
- Skills gaps;
- HR including TUPE and future pension arrangements;
- Procurement routes for awarding services ;
- Asset/leasehold transfer implications;
- Stakeholder engagement to maximise staff, community and service user involvement.

The result of the appraisal and subsequent recommendation from Anthony Collins is Delivery Option Three which is to establish a new ADM for the TLC and Youth Services based on the financial savings and income generation potential that this offers as well as opportunity for the Council to still direct future Service delivery. This is based on the following observations:

- Delivery Options one and two to 'Do Nothing' or 'Transform in House' are not viable as it will not allow the Council to meet its saving requirements. The Council would therefore need to either to reallocate funds from other Services (putting extra pressure in other areas) or it would need to reduce Service delivery to allow the savings to be met;
- Delivery Option four to 'Outsource to a third party' has some attractive qualities however the market is likely to present a solution that will take time to implement, may only cherry pick certain Services and given future funding uncertainties, could be significantly inflexible.

Delivery Option Three to 'Establish a New ADM presents a radically new way of working for the Council but one which has been tried and tested in other Local Authority Areas. Whilst there are risks, the ADM does present the best opportunity to sustain and potentially improve services during this period of financial uncertainty. A successful move of the TLC and Youth Services to an ADM could also herald a way forward for other Council services with the advantage that structures and experience are already in place.

4.2 Should the recommendation to establish an ADM be approved then the next steps would be as follows:

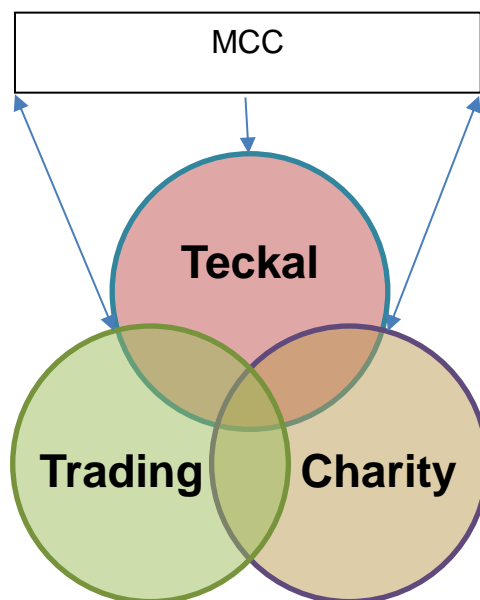
- To establish a new ADM based on a flexible group structure;
- To agree the scope of the ADM and which services will be transferred at inception and those Services which will be considered for future phases;
- To continue the staff, community and service user consultation process;

- To agree to the internal recruitment of a shadow core staffing structure to take the ADM process forward and establish the ADM;
- To produce a draft business plan for the ADM for approval prior to establishment which will establish any funding required to finance any supplementary work needed to finalise this piece of work.

In addition, at the point when the draft business plan for the ADM is presented for approval then some further key decisions will be required in relation to:

- The level of control required by the Council;
- The level of funding that will be required from the Council and the identification and availability of alternative funding;
- The organisational support for combining these Services;
- Whether assets are to be transferred or licensed to the ADM.

4.4 In agreeing to establish the proposed flexible group structure the Council will also need to consider what type of vehicles (companies) will best serve its aims, a full list of which can be found in **Appendix Three** of the appended Strategic Outline Case. The recommended options for the Council will be presented as part of the draft business plan to be submitted for approval early in 2017.



5. RESOURCE IMPLICATIONS:

The resource implications are two fold. One is a further cash injection to complete the Anthony Collins commission and the second is the establishment of the interim management structure (Appendix B) to take forward the ADM, recruited via internal secondments. The cost of which will be determined once the candidates have been appointed.

6. CONSULTEES

Senior Leadership Team
Cabinet

7. BACKGROUND PAPERS

Appendix A – Strategic Outline Case

Appendix B - Proposed Interim Management Structure

Appendix C – Future Generations Evaluation

8. **FUTURE GENERATIONS IMPLICATIONS**

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

The purpose of the proposed new Delivery Option 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 new Delivery Option will enable services to be kept open but with more community focus and coordination, helping knit communities together. Activities in establishing the ADM 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.

9. **AUTHORS:** Cath Fallon – Head of Economy and Enterprise; Ian Saunders – Head of Tourism, Leisure and Culture; Marie Bartlett – Finance manager

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