

Strategic Outline Case

Future Monmouthshire: Proposed New Delivery Option for Monmouthshire County Council's Tourism, Leisure and Cultural and Youth Services

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Strategic Outline Case

Proposed New Delivery Option for Monmouthshire County Council's Tourism, Leisure and Cultural Services

1. Executive Summary

Local Authorities across the UK are facing unprecedented financial pressures. Monmouthshire County Council's central grant from the Welsh Government is reducing and its current projections suggest that it needs to find circa 12% or £14m of savings over the next four years. The Council will therefore not be able to continue to meet the needs of its service users unless it makes significant changes to the way it delivers its services and takes some tough decisions to live within its means.

In 2014, Cabinet approved a comprehensive review of the Council's Cultural services 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. It soon became apparent that not only did cultural services overlap many of the wider tourism and leisure services but analysis of experiences of other local authorities with new operating models demonstrated that critical mass in achieving economies of scale, cross subsidisation and mutual support are all critical success factors as well as an opportunity to rationalise service delivery. So, in October 2015, Cabinet approved the supplementary work needed to assess the current portfolio of Leisure, Events, Youth and Outdoor Leisure (TLC) Services and in December 2015, Anthony Collins Solicitors were appointed to undertake an independent options appraisal of the in-scope services.

The Tourism, Leisure and Culture (TLC) Services in scope include:

- Leisure, Fitness and Outdoor Education
- Youth services provision
- Countryside services
- Tourism Marketing, Development, Visitor Information provision and Arts, Events; and
- Management and marketing of Monmouthshire's Visitor Attractions

Other services currently in scope but not being considered as part of this initial proposal include Community Adult Education and Museums. Although initially considered, a deeper assessment of these services has concluded that there is a considerable amount of service transformational work to be undertaken within the Council, prior to full consideration. This work will consider current service offer, premises, staffing ratios and funding.

With combined budget/costs of circa £2.639m and approximately 441 staff, these Services have contributed over £1.65m of revenue savings and generated £17m of income over the last four years and there are no more efficiencies to be made. Given the current period of austerity, if these services remain within the Council, the Medium Term Financial Plan has a four year funding shortfall of 12% which if applied proportionally to all Services, would further increase the funding gap for the services in scope by 2020/21 to £542k. In order to meet these budget targets, there would need to be reductions by up to 20% by 2020/21. This is the scale of the huge challenge facing these services given increasing demands and expectations.

The objectives of this proposal have therefore been to consider the right mix of Services to be included and the best Delivery Option to help the Council address the projected £542k funding shortfall over the next four year period and it may not be possible to maintain all of the services in their current form whatever option is chosen. Anthony Collins identified and considered a range of Delivery Options for the Services and from this recommended four Principle Delivery Options for the Services have been identified, 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; 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 against 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.

The result of the assessment and subsequent recommendation from Anthony Collins Solicitors is Delivery Option Three which is to establish a new Alternative Model for the TLC Services. This is based on the financial savings and income generation potential that this offers as well as opportunities 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. This option does also not guarantee locally provided services.

Delivery Option Three to ‘Establish a New Alternative Delivery Model’ 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 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.

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

- To agree the principle recommendation made by Anthony Collins which is to establish a new Alternative Delivery Model (ADM) based on a group structure as detailed in **Appendix Two**;
- 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 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; and

- To establish funding to finance the supplementary work needed to finalise this piece of work.

2. Strategic Context and the case for Change

2.1 Background

In 2014, Cabinet approved a comprehensive review of the Council’s Cultural services. The purpose being 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. It soon became apparent that not only did cultural services overlap many of the wider tourism and leisure services but analysis of experiences of other local authorities with new operating models demonstrated that critical mass in achieving economies of scale, cross subsidisation and mutual support are all critical success factors.

In October 2015, Cabinet approved the supplementary work needed to assess the current portfolio of Leisure, Events, Youth and Outdoor Leisure (TLC) Services and in December 2015; Anthony Collins Solicitors were appointed to undertake an independent options appraisal of the in-scope services.

2.2 The Scale of the TLC Services Challenge

2.2.1 The need to find significant financial savings

Local Authorities across the UK are facing unprecedented financial pressures. The Council’s central grant from the Welsh Government is reducing and its current projections suggest that it needs to find circa 12% or £14m of savings over the next four years. The Council will therefore not be able to continue to meet the needs of its service users unless it makes significant changes to the way it delivers its services and takes some tough decisions to live within its means.

The Council currently provides tourism, leisure, cultural and youth services (the “Services”) which include:

- Leisure, Fitness and Outdoor Education comprising of four on school site leisure centres and three outdoor education venues, two of which are Council owned;
- Youth services provision across five sites to include the delivery of open access activities, an education programme, counselling services, etc.;
- Countryside services to include managing access to the countryside, visitor sites, biodiversity issues and outdoor learning and play;
- Tourism Marketing, Development, Visitor Information provision, Arts and Events; and
- Management and marketing of Monmouthshire’s Visitor Attractions to include Caldicot Castle, Tintern Old Station and Shire Hall, Monmouth.

With combined budget/costs of around £2.639m and approximately 441 staff, these Services have contributed over £1.65m of revenue savings and generated £17m of income over the last four years. However there are no more efficiencies and given the current period of austerity if these services are to remain in the Council, the implications are detailed in **Table One** that follows, demonstrating 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 result in a further increase in the funding gap by 2020/21 to £542k. Therefore in order to meet the budget targets, there would need to be reduction in the cost of services for 2017/18 by 10%, rising to 20% in 2020/21.

The assets included within the scope of this report currently has a maintenance backlog of £4.78m which indicates there is a significant requirement for investment. The ability to access and service capital requirements is a key requirement in sustaining service delivery and avoiding a declining asset base.

Table One: Service Funding Shortfall

Year	MTFP Allocation	£000	Expected Net Cost	£000	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. This does not take account of the impact of the significant investment required to maintain existing services.

2.2.2 Growth in Demand for the Services

However, declining budgets are just one of the challenges for the Council. Other challenges include demography, localism, the Well-being of Future Generations (Wales) Act and Inequality. Using demography as an example, life expectancies are rising across the country leading to an increased demand for public services. In Monmouthshire:

- The number of over 85 year olds will increase by 184% by 2036 yet the number of under 18s will decrease by 19% by 2036. This increased life expectancy will drive a greater complexity of need as older people are more likely to have medical conditions. And, with a decreasing number of younger residents there is likely to be a decrease in the potential for growth of the working age population, leading to a decrease in council tax income to pay for services.
- In addition both adult and childhood obesity is increasing in Wales, which will have a long term impacts on quality of life placing further pressure on public services.

2.2.3 Requirements of the Well Being of Future Generations (Wales) Act 2015

The Well Being of Future Generations (Wales) Act 2015, introduced by the Minister for Communities and Tackling Poverty sets out a framework for Welsh Public Authorities requiring them to show how they are working towards well-being goals that will ensure the needs of the present are met without compromising the ability of future generations to meet their own needs. The Act puts in place seven well-being goals that public bodies must work to achieve and take into consideration across all their decision-making as detailed in illustration one that follows. As a direct result of the Act any plans for the future delivery of Services will need to ensure that that the seven well-being goals are addressed.

Illustration One: Seven Well-being Goals of the Well-Being of Future Generations (Wales) Act 2015



2.2.4 Rising Expectations of Service Users

Advances in customer services and technology also mean Service Users have higher expectations of public service and increasingly expect to:

- Interact with services 24/7 and access information and services through self-service platforms; Make appointments for face to face meetings at a time and location convenient to them;
- Receive a highly personalised service that addresses them as an individual and involves them in decision making;
- Experience a joined up service, both across Council Services and between the Council and its partner organisations.

All of this means that Service users will not be content with the Council's current service offer in the future. Although these advances will present opportunities for the Council to use new technologies to meet people's needs more effectively there is a clearly a need to ensure that every aspect of the Services are fit for future purpose.

2.2.5 How this Proposal will address the TLC Challenge

The Council has already made a number of changes to address these challenges focussing on improving efficiency, effectiveness and value for money in the Tourism Leisure and Culture (TLC) Services. For example:

- A successful 'Invest to Save' programme in Leisure Services whereby an investment of £250,000 in fitness suites lead to a return of £100,000 in the same year enabling on going and sustained growth in leisure memberships;

- Increasing commercial drive through innovation and enterprise whilst also increasing fitness levels, for example the introduction of the 'My Wellness' Cloud accounts;
- Optimising use of assets by broadening use such as offering visitor attractions as wedding venues and concert venues;
- Developing new and existing partnerships such as working with the Aneurin Bevan Trust by increasing participation in the National Exercise Referral scheme;
- Regular data and performance monitoring to measure success and inform business decisions leading to enhanced service delivery and customer benefits; and
- Innovation through better use of technology such as encouraging more Service users to take up Direct Debit payments for services

These changes have helped to deliver £1.65m of revenue savings and generated £17m of income however the Council has approached the limit of savings that can be achieved. There is therefore a need to consider new ways to deliver these Services whilst also ensuring that it continues to provide opportunities for local people to lead more active lifestyles.

In October 2015 Cabinet approved supplementary work to mobilise the TLC Services within the context that any proposals would still ensure that it continued to address its four key priorities of *Education, Protecting Vulnerable People, Supporting Enterprise, Entrepreneurship and job creation* and *Maintaining locally accessible service*. **Appendix One** details how the Services currently deliver against the Council's priorities.

Any proposal for a new Service Delivery model would therefore need to ensure that it not only continues to meet the Council's priorities but also provides 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 new 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 through collaboration.

Cabinet also agreed this work would consider a full range of Delivery Options which include:

- Doing Nothing;
- Transforming the Service in House;
- Moving the Services into an Alternative Delivery Model; and
- Outsourcing the Services to a Third Party.

3. Developing a new Delivery Option

3.1 Proposal Objectives

The objectives of the proposal are to:

1. Consider the right mix of Services to be included in the proposal
2. To identify the best Delivery Option applying the lessons learned throughout the development of the proposal.

This Proposal needs to identify the best possible delivery option to help the Council address the projected £542k funding shortfall over the next four year period. This document presents the findings from the first phase of work undertaken by Anthony Collins Solicitors.

3.2 In Scope Services

The Tourism, Leisure and Culture Services in scope for this proposal include:

- Leisure, Fitness and Outdoor Education
- Youth services provision
- Countryside services
- Tourism Marketing, Development, Visitor Information provision, Arts and Events; and
- Management and marketing of Monmouthshire’s Visitor Attractions

Other services currently in scope but not being considered as part of this initial proposal include Community Adult Education and Museums. Although initially considered, a deeper assessment of these services has concluded that there is a considerable amount of service transformational work to be undertaken within the Council, prior to full consideration. This work will consider current service offer, premises, staffing ratios and funding.

It makes sense to bring these services together as having undertaken a service assessment, it is clear there are distinct synergies amongst them, confirming the rationale that bringing them together as one entity would have been benefits as illustrated in **Table Two** below :

Table Two: Service Assessment

Service Objectives	Strengths & Opportunities	Weaknesses and Risks
Supporting an active and healthy Monmouthshire and a healthy lifestyle.	Excellent facilities with a wide range of activities & programmes.	Deteriorating condition of key sites & infrastructure and reducing staff capacity to address these issues.
Raising the profile of Monmouthshire regionally, nationally and internationally with a view to increasing visitor spend and extending the visitor season.	Professional industry qualified & knowledgeable staff with a customer focused approach.	Investment needed to keep visitor offer fresh & encourage return visits.
A desire to become more financially sustainable by increasing visitor numbers, adding value to existing products and developing new products to attract new markets.	Proven ability to draw in funding with wider opportunities to develop joint funding bids with in scope Services to reduce duplication and maximise value against resource deployed.	Competition from neighbouring local authorities & private facilitators.
Providing learning experiences to enable young people to fulfil their potential as empowered individuals & members of communities.	Opportunities for coordinated & complementary marketing & new product development as part of a wider Monmouthshire Visitor Attractions & Museums Offer.	Pressure on budgets (expenditure), efficiency savings, inflated income targets.
Supporting volunteering to increase community participation levels and enhance service delivery.	Opportunities for further exploration of commercial concessions & partnerships & additional complementary services to enhance income streams.	Local Authority political & decision making processes can hamper innovation & creativity.

However the full scope of the Delivery Option will be decided at a later date, informed by which Services the Council will choose to release for transformation. Therefore the scope of the Delivery Option is likely to extend beyond the priority services for reform in the future and as such will need to be flexible enough to incorporate any future Service change proposals.

4. Proposal Methodology

4.1 Baseline Service Assessment

A baseline profile of in scope Services has been developed by Anthony Collins and associates bringing together information via a Due Diligence process which has included an analysis of:

- Service plans and budgets;
- Latent demand surveys for leisure services;
- Audience development and business plans for visitor attractions;
- Staff skills and gaps analysis;
- HR implications assessment including TUPE and future pension arrangements;
- VAT and tax implications summary;
- An assessment of legal structures and associated governance arrangements;
- State Aids Assessment;
- Growth and investment and income generation pipeline assessment; and
- Asset/leasehold transfer implications; and
- A full programme of staff and Service user engagement (see **Appendix Two**).

Best practice research was also carried out to find other Councils who have implemented innovative Delivery Options focusing on the in scope Services including [Vivacity](#) in Peterborough, [Newportlive](#) and [Torfaen Leisure Trust](#).

4.2 Delivery Options

In identifying a possible delivery option Anthony Collins identified and considered a range of Delivery Options for the Services, the full list of which can be found in **Appendix Three**. From this list Anthony Collins Solicitors have recommended **four Principle Delivery Options** for the Services have been identified, 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; and
- Delivery Option Four: Outsource the services to a third party.

Table Three below provides a more detailed overview of these four Principle Delivery Options:

Table Three: Principle Delivery Options

Delivery Option	Description	Type of Organisation
<u>One:</u> Services remain in house	Services will continue to operate ‘in house’ in accordance with the existing service delivery model	In House
<u>Two:</u> Transform the Services in house	The broad service delivery model remains the same however the Council would need to engage in a full service review to identify how the services could be delivered more efficiently and effectively to deliver the savings requirements.	In House
<u>Three</u> Move the Services into an Alternative Delivery Model	A group structure made up of different types of models as described in Table Three above. This structure will enable flexibility in the future should there be an appetite for community engagement and or service user ownership which could be delivered through a more co-operative or	Three different models of the group structure: A Local Authority trading company or ‘Teckal’ company operating to service the Council’s needs, an ‘internal’

	<p>joint venture. In establishing its group structure the Council will need to consider what type of legal entities best serves its aims e.g. Community Interest Companies, Company limited by shares, Company limited by guarantee, Community Benefit Society or Charitable Incorporated Organisation.</p> <p>These options will be given full consideration should Management Option Three be approved.</p>	<p>facing company. As Teckal companies are only able to generate 20% of their income from other sources a trading company will conduct 'external' facing, trading activities.</p> <p>A charitable company will enable certain services to benefit from other charitable sources/donations to presently accessible to the Council. It may enable business tax relief and would enable the other companies in the group to 'gift aid' profits to be reinvested in charitable purposes, thereby mitigating the impact of corporation tax charges.</p>
<p>Four: Outsource the services to a third party</p>	<p>The Council would no longer operate the Services directly but would commission a third party (or parties) to deliver the Services. The Council's role would be to contract manage the delivery and the Council would remain responsible to its citizens for the Service they receive which might cause issues in ensuring the Council and Welsh Government's priorities for Service delivery are met although adequate contract provisions could prevent this.</p> <p>Any future Service changes need to be covered in the original procurement to ensure they are lawful which cause inflexibility although could be covered by adequate contract provisions but may result in a higher budget for the Services, inhibiting the Council from making the savings.</p>	<p>A Commercial Organisation would operate the Services commercially; the Council would have no control over the operation.</p> <p>Not all of the Services would be attractive to a commercial organisation e.g. some attractions would carry associated costs which may make them difficult to procure.</p> <p>Staff TUPE costs and risks along with pension liabilities may limit interest from bidders which could lead to the main bidders being charitable or non-profit organisations which may not have the commercial expertise or the balance sheet strength to take on the Services.</p>

5. The Vision for a new Delivery Option

5.1 The Vision

Any new Delivery Option for the Services is based on a shared responsibility between the Council and the Communities that it serves. There will therefore be a need to ensure that it meets 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 new 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 through collaboration

5.2 How would a new Delivery Option work?

Any new Delivery Option will need to deliver a greatly improved service for Monmouthshire Service users. It will need to improve what is currently done in terms of the customer service experience and even more importantly how its culture and working practices:

5.3 Customer Experience

Any new Delivery Option will need to deliver a greatly improved service for Monmouthshire's communities, providing a service that is:

- Responsive to Customer Needs – any issues should be resolved quickly;
- Joined up with other agencies – if someone needs to be referred to the National Exercise Referral Scheme they should receive a joined up, seamless response;
- Effective – visitors should leave Service areas feeling satisfied having had a worthwhile experience;
- Focused on continual improvement – Service users should feel their views are being listened to if they feel the Service can be improved.

5.4 Culture Change

In order to deliver the best for Monmouthshire's Communities culture change will be required at an individual, team and organisational level. To support culture change Service staff will need to learn and practice new skills, receive feedback and have opportunities to continually develop their confidence and ability through peer support and supervision. This will enable staff in any new Delivery Option to develop outcomes-based support plans and to manage Service Users expectations through clear and positive messaging. Working outside previously 'siloes' Service areas will assist this.

5.5 Staff Teams

Strong staff teams will need to be nurtured to support and motivate each other to persevere as the new culture develops. Maintaining motivation within teams as they learn to work differently and in more challenging ways will also require strong leadership.

5.6 Working with partner organisations

The culture of how any new Delivery organisation interacts with the community and voluntary organisations will also need to change. Councils can often be seen as the key decision maker as they control funds and therefore make decisions unilaterally which often does not foster a culture of collaboration. Any new Delivery organisation will need to act differently in order to motivate the voluntary sector to work with it and will need to build partnership based on trust and transparency.

The Council will also need to be prepared to take a low profile in terms of the branding and 'ownership' of any new delivery option. To realise the benefits it must be designed, implemented and owned by all partners.

5.7 Service Users

The success of any new Delivery Option will also depend upon the willingness of service users to re-think their expectations and interact with the Services in a different way. With this in mind a 'What Matters'

consultation will be carried out with Service Users as well as an assessment of previous consultations to establish trends, changes in service delivery and how services have responded to community need to date in order to establish a baseline for future service interaction (further details can be found in **Appendix Two: Engagement Process**).

6. Assessment of the Delivery Options and their Potential Impact

In assessing the benefits that a new Delivery Option could deliver to the Council a full list of assessment criteria has been developed which can be found below, however there are two features of any new Delivery Option that make the speed and scale of the benefits less certain:

- The success of any new Delivery Option will depend heavily upon the culture change and the extent to which staff, residents, service users and partners are prepared to embrace it; and
- Any new Delivery Option will influence demand for Council funded services but it cannot control it. Uncertainty will always surround how much demand there will be the TLC Services in the future.

These caveats withstanding, the pros and cons of each of the four delivery options recommended by Anthony Collins have been detailed below:

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

These options have been measured against criteria as determined in **Table Four** that follows which have been grouped in order to assess the strategic, economic, commercial, financial and management case for change, further analysis of which will follow.

Table Four: Assessment Criteria

Assessment Criteria	Description
STRATEGIC CASE	
Council Priorities	Ability of the Delivery Option to achieve the Council’s priorities set out in the Single Integrated Plan.
Engagement	If there are any requirements to undertake consultation before implementation, e.g. staff, stakeholders, the public.
ECONOMIC CASE	
Sustainability	How the Delivery Option allows the Services to be sustainable and for delivery to continue over the period of 2016/17 to 2021/22.
COMMERCIAL CASE	
Service Improvement	How the Delivery Option could allow for improvement of and innovation in the Services.
Experience	The skills and experience of the Council in relation to the Delivery Option.
STAFF SATISFACTION	
Staff	The effect on staff engaged in the provision of the services (including the application of TUPE).
FINANCIAL CASE	
Savings	The contribution that the Delivery Option can make to the Council meeting to fund the key services.
MANAGEMENT CASE	
Cost/Resources	The costs to the Council associated with implementing the Delivery Option and the additional resources that will likely be required, and/or any costs benefits in implementing the option (e.g. the ability to generate income).
Time	The timescales for implementation of the Delivery Option. The Council ideally needs the Delivery Option implemented by 1st September 2017.

6.1 Ability of the Delivery Options to meet Monmouthshire County Council and National Strategic Objectives

The ability of each of the four Delivery Options to meet the Council and National Strategic Priorities has been assessed along with any requirements to undertake consultation before implementation, e.g. staff, stakeholders, the public.

Clearly the option to ‘**Do Nothing**’ would require no immediate change in council priorities or engagement activities however ‘**Transformation in house**’ may result in statutory services being prioritised over the TLC Services which could be a risk to any transformation process and therefore would require full service reviews and consultation to assess the impact on the people of Monmouthshire.

Analysis of the other two delivery options is more complex and therefore detailed in the tables below:

Table Five: Assessment of Delivery Options: Ability to meet Strategic Objectives and Engagement Requirements

Ability to Meet Council Priorities	Transfer to ADM	Outsource to Third Party
Pros	<ul style="list-style-type: none"> Opportunity to adjust services via the LA owned TECKAL company Would still have adherence to various key drivers and Acts. 	<ul style="list-style-type: none"> Need to ensure expectations are clearly set out and the company is accountable.
Cons	<ul style="list-style-type: none"> For the ADM to succeed must be and an acceptance that more commercial activity can sometimes cause conflict, focus of the ADM would be on sustainability and growth. 	<ul style="list-style-type: none"> Council one step removed from delivery may cause issues in ensuring the Council’s vision for the Services is delivery. Can be mitigated by ensuring that adequate contract management provisions are included in the contract(s). Could be reputation damage to the Council or a feeling from Service Users of selling out of responsibilities.
Engagement Requirements		
Pros	<ul style="list-style-type: none"> Council needs to consider if it has sufficient information to assess the impact of the change on the people of Monmouthshire. If not, then there may be a need to consult. Transferring service delivery to third party means third party needs to access assets (e.g. buildings) associated with the Services. Council to undertake a State aid analysis on any provision of assets – this is most likely to be relevant to the trading company and the charitable entity because the Teckal entity will be treated like an in-house department. In the event of asset transfers appropriate protections/restrictions on use would need to be included to protect continued public use. State aid considerations apply to any 	<ul style="list-style-type: none"> Council would no longer operate the Services directly but would commission a third party (or parties) to deliver the Services. Council’s role would be to contract manage delivery and would remain responsible to the people of Monmouthshire for the service they receive. Given the nature of the Services, there may be a need to consult on the nature of the specification/procurement model to ensure that the needs of service users are taken into account. Additional market engagement to ensure Council goes out to the market with an attractive proposal. Transferring service delivery to a third party means third party needs to access assets (e.g. buildings) associated with the Services. Council would need to build into

	<p>support (services or financial) that the Council would make available the entities providing services to the “market”.</p> <ul style="list-style-type: none"> • In the context of property the Council needs to ensure that any disposal achieves best consideration. 	<p>the procurement process, what it is making available and on what terms. Asset transfers are unlikely in a procurement context but consideration should be given to leases/licences. Council must undertake a State aid analysis on any provision of assets – making clear the assets available in the procurement process should mitigate this. In the context of property the Council needs to ensure that any disposal (which could include a lease) achieves best consideration.</p>
		<ul style="list-style-type: none"> • Not all Services would be attractive to commercial operators. Some (e.g. Leisure) would be easy to outsource as there is a long history and a relatively mature market but some less attractive due to associated costs and risks which might make them very difficult to procure e.g. Caldicot Castle. • TUPE costs and risks along with potential pension liabilities may limit interest from bidders, could lead to the main bidders being charitable or non-profit organisations which may not have the commercial expertise or the strength of balance sheet to take on the services. • The ADM could develop innovative and creative new partnerships with commercial operators, whereas it is more difficult to specify the development of such arrangements through procurement.

6.2 Economic Case for change

In assessing the economic case for change in terms of the best and future needs of the service and optimal value for money sustainability is the key issue.

Clearly the ‘Do Nothing’ option is not sustainable as in the absence of savings or alternative funding sources the Council will not be able to sustain the Services. There will be no scope of improvement which will result either in significant service reduction and/or the end of Service provision.

If Services are to be transformed ‘In house’ then a full Service review may result in some savings/income generation which may in turn, make the Services more sustainable. However, to make the Services sustainable a Council backed Investment strategy underpinned by financial commitment would be required in order to improve the building stock, equipment and maintenance budgets. It is therefore accepted that a level of improvement to the delivery of the Services may be achieved through the full service review however this is unlikely to be at a level to achieve the overall savings target. Therefore service reductions remain highly likely with consequent staff reductions.

There is therefore a need to consider the pros and cons of transferring the Services into an ADM or outsourcing to a third party as detailed in **Table Six** that follows:

Table Six: Assessment of Delivery Options – Economic Case for Change

Assessment of Sustainability	Transfer to ADM	Outsource to Third Party
<p>Pros</p>	<ul style="list-style-type: none"> • Establishing the Group presents the Council with the greatest opportunity to: <ul style="list-style-type: none"> (a) refine the delivery of Services Council through the Teckal company ensuring it is done effectively and efficiently to contribute to the savings target; (b) ensure the continued delivery of certain aspects of the Services by taking a more commercial approach through the trading company and access funding pools not available to the Council, to a charity or to the Teckal company;; (c) preserve the non-commercial delivery of certain of the Services through the charitable entity which will have the ability to bid for different sources of funding and potentially benefit from Gift Aid (the Council is not currently able to do this). • Splitting the Services across these different delivery vehicles should help sustain the Services overall and allow (to the extent permitted) some level of cross subsidy. • Income generation through the trading arm, and the additional sources of funding that ADMs provide should ensure that the Services continue. • Early work on income generation suggests that there is scope to bring in significant new funding to the Services. To do this will require a substantial level of investment – again the ADM would have access to sources of social capital that are not available to the Council. • ADM would not necessarily be required to distribute profits to shareholders. It should consequently have a trading advantage over commercial competitors. 	<ul style="list-style-type: none"> • Private sector efficiencies (e.g. economies of scale) might reduce operating costs and contribute to savings. • Companies would commit to operating cost and levels of operational delivery levels at the commencement of the contract so there would be a level of confidence built into the agreement.
<p>Cons</p>	<ul style="list-style-type: none"> • Risk that income generation will not be as forecasted and that the Group will become loss making. If this happens then the Council would need to look at other options to compensate. 	<ul style="list-style-type: none"> • Private sector will price in risk and profit elements may result in a higher budget for the Services. This would not allow the Council to achieve savings. Could be mitigated by including requirements for income generation/sharing within the contract(s). Failure to generate sufficient income then the risk could potentially be shared with the contractor(s).

6.3 Commercial Opportunities

Given the ‘Scale of the Challenge’ from a budgetary perspective i.e. a projected reduction in Services of 20% by 2020/21 the need to identify new Delivery Options to enable commercial opportunities is a key driver in the case for change. Alongside this is the need for service improvement whilst also considering service delivery experience to enable the best chance of success.

The ‘Do Nothing’ Option

In assessing the ‘Do Nothing’ option Services staff are professional, industry qualified and knowledgeable and have continued to deliver service improvements, having already contributed over £1.65m of revenue savings and generated over £17m of income to date. However there are no more efficiencies to make and the ability to deliver further improvements over the future years is limited. In the absence of savings or alternative sources of funding the Council will not be able to continue to fund the Services ad infinitum resulting in service reduction or withdrawal and consequently no scope for service improvement nor to deliver in a more commercial manner.

Transforming Services in House

There is the potential for some level of service improvement arising from the full service review and investment will be required from the Council to underpin the development of new delivery methods. Transforming services inside the Council does give rise to opportunities to improve understanding of cost, data and Performance Indicators and to build on driving a business culture. However working within the existing confines of the Services and Council operations could mean that the level of service improvement is inhibited when compared with the ADM model particularly as the Council is limited in the sources of funds that it can access and in the amount and types of trading that it can carry out. This therefore reduces the range of potential ways in which services might be developed and delivered in future. In order to survive and thrive, the Services need to be commercial in its approach, fleet of foot, able to adapt quickly to trend and customer demand. They also need access to a continued level of investment and maintenance when required and an ability to be proactive and make business decisions quickly to increase income opportunities, at present decision making can be a lengthy process (although normally positive and supportive).

In comparison the pros and cons of transferring the Services into an ADM or outsourcing to a third party are detailed in **Table Seven** below:

Table Seven: Assessment of Delivery Options – Commercial Opportunities

Assessment of Commercial Opportunities	Transfer to ADM	Outsource to Third Party
Service Improvement		
Pros	<p>Moving to the Group structure outside of the Council’s normal processes should enable greater flexibility, innovation and agility in responding to the changes of the future.</p> <p>The group structure would allow the staff to develop a more radical approach to the management and operation of Services, breaking down silos and developing cross cutting expertise in more commercial service provision and marketing. It would become a lean, efficient and highly motivated organisation.</p> <p>The new entity would be free to market services to two target audiences:</p>	<p>Service improvement targets could be built into the contract(s). Use of the private sector might delivery innovation in the delivery of the Services.</p> <p>To be assured of innovation and commitment on investment a long contract would be required.</p>

	<p>1. the 2 million plus annual visitors to the county</p> <p>2. other local authorities, public and private bodies</p> <p>These audiences offer the potential of new income into the county from outside, which can be used to sustain services for the residents of Monmouthshire.</p>	
Service Delivery Experience Pros	<p>Once a decision is taken to establish the Group, then set up of the entities can be achieved more quickly than a procurement process.</p> <p>The external professional advisers for this project are already in place and so there is no need to procure additional support.</p> <p>The Council will need to consider if for example it enters into a time limited management contract with a third party which has commercial expertise. This may involve a procurement exercise and staffing issues.</p>	The Council has experience of procurement processes. Additional external support can be obtained where needed.
Service Improvement		
Cons	<p>The Council would be removed from the day to day operation of the services to varying degrees. It would have influence on the two companies (and in particular the Teckal company) but there would be much lighter touch involvement in the operation of the charity. This would be a culture change for the Council but will enable the benefits set out in this analysis to be achieved.</p> <p>Although the Council would not be involved in day to day operation, in the minds of the people of Monmouthshire it would still be responsible for the Services. The reputational risks need to be appropriately protected against. The Council's involvement in the establishment and governance arrangements should contribute to these protections.</p>	<p>The Council is one step removed from delivery which might cause issues in ensuring the Council's vision for the Services is delivery. This can be mitigated by ensuring that adequate contract management provisions are included in the contract(s).</p> <p>Any future changes to the Services need to be covered in the original procurement to ensure that they are lawful. Given the uncertainty that currently exists in the public sector this could cause inflexibility. This can be mitigated with a suitable procurement process and detailed contract change provisions.</p> <p>If a long contract is offered there is a risk that the quality and expectations of Council and Communities are not being represented. There would be a cost to client management and potential reputation damage</p>
Service Delivery Experience Cons	<p>Whilst the establishment of the entities can be achieved comparatively quickly, creation of plans and alignment of governance requirements may take longer.</p> <p>This is a new area for the Council and so external advice is required – legal, tax, business management etc.</p> <p>This option will require a large amount of officer time to ensure that the plans for “go live” are in place and that as smooth a</p>	The Council is not experienced in full service procurement processes. Additional external support will need to be obtained where needed.

	<p>transition as possible can be achieved. Elements of the work for options 2) and 4) – specifications, service review are needed.</p> <p>Establishment costs need to be factored into the savings across the five year period. This means the entities need to generate income in excess of that set out above – £2million to £2.5million.</p> <p>If the new entity secures capital investment, the costs of this money also need to be taken into account.</p>	
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6.4 Staff Satisfaction

Staff are key to the success of any organisation and the Council will not make a decision that will put staff in jeopardy. It is therefore essential that the four Delivery Options are considered carefully when it comes to staff satisfaction.

The ‘Do Nothing’ Option

Initially the ‘Do Nothing’ option would appear to be the more stable and familiar environment for staff because there is no immediate change to their circumstances. However, as time goes on the questionable sustainability of the services due to the austerity measures may lead to staffing issues as staff could be at risk of redundancy and the Council will bear the associated costs. This lack of long term stability will therefore impact upon staff morale and emotional wellbeing as staff in services where there is little scope to do things differently will become frustrated with their lack of urgency to do anything except manage decline.

Transforming Services in House

Again, this option may initially provide a familiar and stable environment for staff however a full service review may also result in some level of unease amongst staff pending the publication of the results. In addition, a shortfall in meeting the savings requirements may result in service reductions and consequently staff reductions, this lack of long term stability will inevitably impact upon staff morale and emotional wellbeing as staff may be frustrated by a process which limits their capacity to innovate and develop new ways of working.

In comparison, the pros and cons of transferring the Services into an ADM or outsourcing to a third party are detailed in **Table Eight** below:

Table Eight: Assessment of Delivery Options – Staff Satisfaction

Assessment of Staff Satisfaction	Transfer to ADM	Outsource to Third Party
Pros	<p>Staff would be freed (to an extent) from local authority process and timescales resulting in more innovative working.</p> <p>Local authority pay restrictions would not apply and this could result in staff incentive pay to drive performance which would need to be factored in to the income generation to ensure there is no risk to meeting the savings.</p>	<p>Moving to the private sector could provide new opportunities for staff and exposure to new ways of working. Staff would be freed from public sector pay restraints however wage growth would need to be factored into the financial assessment and measured against the savings requirements.</p>

Cons	Staff would likely transfer to the new entities under TUPE which may cause staff unease and uncertainty. However this can be mitigated by information provision and involvement in the process design. There is a need to engage with relevant staff unions and time will need to be allowed for any transfer under TUPE and the necessary consultation.	Staff would most likely transfer under TUPE to the new provider(s). [A separate note has been prepared by Anthony Collins on TUPE procedures and timescales.] This transfer might result in unease (moving from the public sector into the private sector) and a lack of stability. Comprehensive engagement and information provision should help allay concerns. The relevant staff unions should be engaged with.
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6.5 Financial Savings

Given the scale of the revenue savings already made and the fact that there are no more efficiencies to be made - the ability of the proposed new Delivery Options to deliver financial savings is key, particularly given the 12% funding gap and 20% reduction in services already predicted in order to meet current budget targets.

The 'Do Nothing' Option

Under current operating conditions some aspects of the Services are assisted by wider budgets held across larger Council portfolios. However, operating under the existing model and with no changes in the Services, will not enable the Council to meet its savings targets therefore, unless other funding sources become available the Council will experience a funding shortfall and Services will become unsustainable. At present year after year, budgets are being cut and there is limited investment in non- statutory services. Areas such as tourism, leisure, museums are struggling to keep open and will need to close in some instances to make savings required therefore the 'Do nothing' option is not an option if savings are to be made.

Transforming Services in House

A Services review may result in savings/income generation and the Council also has a good track in attracting grants. This could lead to more efficient systems with Services running in a more business-like fashion leading to financial savings. A Services team restructure will also bring services together rather than working independently. However, the savings generated through a service review are unlikely to meet the savings target in full given the reductions in budgets that have already been experienced; there will therefore be a need for further service reductions to meet any shortfall. While there is scope for income generation, the Council will not be able to take full advantage of this given its limited ability to generate a profit. In addition, Monmouthshire's relatively small population of circa 92,000 means that the Council would have to generate approximately £6 per head per year in charges, to cover the income lost from service budgets – i.e. to get the same level of services they receive now. This is likely to be politically unpalatable and practically unrealistic.

In comparison, the pros and cons of transferring the Services into an ADM or outsourcing to a third party are detailed in **Table Nine** below:

Table Nine: Assessment of Delivery Options – Financial Savings

Assessment of Financial Savings	Transfer to ADM	Outsource to Third Party
Pros	Establishing the Group ADM presents the Council with the greatest opportunity to: (a) refine the delivery of Services back to the Council through the Teckal company to contribute to the savings target; (b) ensure the continued delivery of certain aspects of the Services by taking a more commercial approach through the trading company and access funding pools	Private sector economies of scale might reduce operating costs & contribute to savings. If private sector tendered for business savings and investment for infrastructure and risk would fall to the contractor. If the outsourcing is a success other services could be commissioned to provide savings in

	<p>not available to the Council, to a charity or to the Teckal company;;</p> <p>(c) preserve the non-commercial delivery of certain of the Services through the charitable entity which will have the ability to bid for different sources of funding and potentially benefit from Gift Aid (the Council is not currently able to do this).</p> <p>Splitting the Services across these different delivery vehicles should help sustain the Services overall and allow (to the extent permitted) some level of cross subsidy.</p> <p>Income generation through the trading arm, and the additional sources of funding that ADMs provide should ensure that the Services continue.</p> <p>Early work on income generation suggests that there is scope to bring in significant new funding to the Services. To do this will require a substantial level of investment – again the ADM would have access to sources of social capital that are not available to the Council.</p> <p>The new ADM would not necessarily be required to distribute profits to shareholders. It should consequently have a trading advantage over commercial competitors.</p> <p>The new ADM if established could be a platform/landing base or opportunity for further services in the future if providing the correct culture, opportunities and efficiencies</p>	<p>the future.</p>
<p>Cons</p>	<p>There is a risk that income generation will not be as forecasted & that the Group will become loss making. If this happens then the Council would need to look at other options to compensate.</p> <p>Charging for services (or charging more for services than is currently the case) is unlikely to be popular with Monmouthshire residents.</p> <p>Depending on the relationship and contract with the Council the savings should be locked in meaning that additional whole authority cuts would not be available to services inside the ADM.</p>	<p>The private sector will price in risk and profit elements, this may result in a higher budget for the Services. This would <u>not</u> allow the Council to achieve savings. This could be mitigated by including requirements for income generation/sharing within the contract(s). If there was a failure to generate sufficient income then the risk could potentially be shared with the contractor(s).</p>

6.6 Management Case

Finally, in evaluating the management case of each of the four Delivery Options with a view to determining which of them are most achievable and can be delivered in accordance with accepted best practice the criteria for time, cost/resource have been assessed.

The 'Do Nothing' Option

As the Services Business Plans and Performance Indicators are timed into the political and financial cycles which are expected in delivering services inside Local Authority there is no impact in terms of timing. An element of staff consultation has been completed regarding the Delivery Options including a due diligence exercise and “what matters” consultations with customers and staff and stakeholders including unions. This process has been ongoing for nine months since the start of the proposal assessment process and will continue over the coming months.

Transforming Services in House

Resources will need to be allocated to undertake the full service review however these will be considerably less resources than those needed to implement the ADM model or to undertake a public procurement process. The services have been under review for many years and various plans and recommendations are in need of implementation, in some cases these are connected to cost and funding bids. If transformation inside the Council is the preferred option then the time required to investigate would be increased as other aspects of council plans and procedures impact on the end service delivery such as websites, systems and procedures outside the gift of the service management team.

As detailed above an amount of consultation has already been completed for all Services however this will need to be extended in order to undertake a full Services review. Some service transformation is likely to be completed by the teams and managers but to continue without additional resources whilst operating services would be a massive challenge.

In comparison, the pros and cons of transferring the Services into an ADM or outsourcing to a third party are detailed in **Table Ten** below:

Table Ten: Assessment of Delivery Options – Management Case

Assessment of Management Case	Transfer to ADM	Outsource to Third Party
Pros	<p>Once a decision is taken to establish the Group, then set up of the entities can be achieved more quickly than a procurement process.</p> <p>The external professional advisers for this Delivery Option are already in place so there is no need to procure additional support.</p> <p>The Council will need to consider if it needs to tender support for a partner with commercial expertise. This may involve a procurement exercise and staffing issues.</p> <p>An amount of consultation has been completed for all services including due diligence, “what matters” to customers and staff and stakeholders. This process has been ongoing for 9 months since the start of the project and will continue over the</p>	<p>Costs are likely to be less than with the move to an ADM, unless a complex procurement route is chosen. The resources needed will vary depending on the procedure chosen.</p> <p>An amount of consultation has already been completed over the last nine months and will continue over the coming months.</p>

	<p>coming months.</p> <p>The initial work undertaken and team's research into establishing a new way of delivering services has already been agreed by the Council. The services are already starting to collaborate to ensure all tasks and engagement costs are minimised.</p>	
Cons	<p>Whilst the establishment of the entities can be achieved comparatively quickly, creation of plans and alignment of governance requirements may take longer.</p> <p>This is a new area for the Council and so external advice is required – legal, tax, business management etc.</p> <p>This option will require a large amount of officer time to ensure that the plans for “go live” are in place and that as smooth a transition as possible can be achieved.</p> <p>Establishment costs need to be factored into the savings across the five year period. This means the ADM needs to generate income in excess of that set out above – £2million to £2.5million.</p> <p>If the ADM secures capital investment, the costs of this money also need to be taken into account.</p>	<p>Undertaking a procurement process could take upwards of nine months from start to award (with implementation time in addition). There is a requirement for a significant amount of work prior to publication of an advert. As noted, there may be requirements for market and service user engagement prior to advertisement. This timescale assumes a simple procurement process (absent any dialogue with tenderers). Using one of the more complex procurement procedures may result in more innovative and tailored solutions but will take longer and cost more (in terms of internal and external support).</p> <p>Procurement can be an expensive process – albeit with much of the costs hidden. The procurement costs of a single open tender were estimated at c£45,000 (of which £8,000 was borne by the public sector employer) in 2011/12, in research conducted by the Centre for Economics and Business Research.</p> <p>If contractors fail the Council is left with a costly process of taking services back in house.</p>

7. Overall assessment of Delivery Options

Clearly each of the four delivery options carries with it some key differences, advantages and disadvantages. **Table Eleven** offers an overview of the key areas, key benefits and disadvantages of each of the four delivery options and an indication of the financial implications to ease an overall assessment.

Table Eleven: Overall Assessment of the Four Delivery Options

Do Nothing		
Benefits	Disadvantages	Financial Implications
<ul style="list-style-type: none"> • Council experienced at delivering services; • Services have continued to deliver improvements over the past years and have performed strongly but their ability to deliver further improvement is limited; • Stable option for staff ; • Full control of Service delivery. 	<ul style="list-style-type: none"> • Council will be unable to meet savings targets unless other funding sources become available; • Limited investment could result in service reduction or some Services needing to close to make savings required; • No scope for service improvement; • Lack of long term 	<ul style="list-style-type: none"> • Projected reduction in Services of 20% by 2020/21

	<p>sustainability could impact on staff morale;</p> <ul style="list-style-type: none"> • Lack of freedom to operate to full commercial advantage; • Other council priorities may take precedence leading to further service decline; • Although predominantly supportive decision making can be lengthy when services need to be fleet of foot and able to adapt quickly to trend and customer demand; • Limited opportunities to grow Service delivery. 	
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Transform In House		
Benefits	Disadvantages	Financial Implications
<ul style="list-style-type: none"> • Opportunity to restructure teams and structures to bring Services together; • May result in savings/income generation. MCC also has a good track in attracting grants; • Could lead to more efficient systems and running council services like a business with a more commercial feel; • Opportunities to improve understanding of cost, data and PI's and build on driving a culture of business. • Investment strategy & commitment backed by MCC would be required to ensure services remain sustainable, building stock improved along with equipment and maintenance budgets; • Resources needed to enable review however these will be considerably less resources than those needed to implement the ADM model or to undertake a public procurement process; • Implementation of previous reviews required cost implications & funding bids required; • May result in some level of unease amongst staff pending the publication of the results. 	<ul style="list-style-type: none"> • Council priorities must be to deliver statutory services so if budgets are prioritised the ability to keep services funded and open to the level required for transformation is at risk; • Savings generated unlikely to meet the savings target in full given previous service reductions leading to staff reductions; • Limited scope for additional income generation due to profit restrictions on a LA; • Limited funding sources reducing the potential for service redevelopment and delivery; • Impact of review on others aspects of the Council i.e. websites, systems and procedures ; • Lack of long term stability impacting upon staff morale and emotional wellbeing; • Staff may be frustrated by a process which limits their capacity to innovate and develop new ways of working. 	<ul style="list-style-type: none"> ▪ Savings unlikely to meet the target in full given the reductions in budgets that have already been experienced; ▪ Further service reductions required to meet any shortfall therefore projected reduction in Services of 20% by 2020/21; ▪ While there is scope for income generation, the Council will not be able to take full advantage of this given its limited ability to generate a profit.

Move Services to an Alternative Delivery Model		
Benefits	Disadvantages	Financial Implications
<ul style="list-style-type: none"> • Council could adjust services via the LA owned TECKAL company ; • Will enable greater flexibility, innovation and agility ; • Opportunity to refine Services to enable savings; • More commercial approach, opportunity to bring in significant additional funding outside scope of the Council; • Investment required in Services but ADM could access sources of social capital not available to the Council; • Enable staff to develop commercial service provision and marketing becoming a lean, efficient and highly motivated organisation; • Not necessarily required to distribute profits to shareholders so trading advantage over commercial competitors; • Could be a landing base for further services in the future; • Ability to market services to other sectors generating new income to sustain services for Monmouthshire residents; • Local authority pay restrictions would not apply and this could result in staff incentive pay to drive performance – this would need to be factored in to the income generation to ensure there is no risk to meeting the savings. 	<ul style="list-style-type: none"> • Council priorities would be adhered to but commercial activity could cause conflict as focus of the ADM would be on sustainability and growth; • Risk that income generation will not be as forecasted & that the Group will become loss making; • Council removed from the day to day operation of Services although would have influence particularly in the Teckal company; • Establishment costs need to be factored into the savings across the five year period. This means the entities need • Staff would likely transfer under TUPE, unions to be engaged to reduce any unease and uncertainty. 	<ul style="list-style-type: none"> • £231k per annum savings from business rate relief; • Potential for additional efficiencies and income generation; • Potential for donations, legacies, gift aid, etc.

Outsource Services to Third Party		
Benefits	Disadvantages	Financial Implications
<ul style="list-style-type: none"> • May reduce operating costs & contribute to savings; • Short term risk would fall to the contractor ; • May deliver innovation in the delivery of the Services. • An amount of consultation • Transferring service delivery • Moving to the private sector could provide new opportunities for staff and exposure to new ways of working. Staff would be freed from public sector pay restraints. Wage growth would need to be factored into the financial assessment and measured against the savings requirements; 	<ul style="list-style-type: none"> • Council would no longer operate the Services yet would remain responsible to residents for the service they receive; • Could be reputation damage to the Council or a feeling of selling out responsibilities; • Not all Services will be attractive to a private sector contractor s so may still remain in house; • Private sector will price in risk and profit elements, this may result in a higher budget for the Services also profits will be distributed outside the County; • Any future changes to the Services need to be covered in the original procurement , 	<ul style="list-style-type: none"> • May achieve£231k per annum savings from business rate relief depending on nature of business; • Potential for additional efficiencies and income generation;

	<p>given the uncertainty that currently exists this could cause inflexibility;</p> <ul style="list-style-type: none"> • Undertaking a procurement process could take upwards of nine months from start to award (with implementation time in addition); • Procurement can be an expensive process; • If contractors fail the Council is left with a costly process of taking services back in house; • Council has limited experience of full service procurement processes. Additional external support will need to be obtained ; • The TUPE costs and risks along with potential pension liabilities may limit interest from bidders; • ADM could develop innovative and creative new partnerships with commercial operators, whereas it is more difficult to specify the development of such arrangements through procurement; 	
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8. Recommendations and Next Steps

8.1 Recommendations

The next stage is to give full consideration to the contents of this proposal and to consider the principle recommendation from Anthony Collins Solicitors which is to agree Delivery Option Three , to establish a new Alternative Model for the TLC Youth Services based on the financial savings and income generation potential that this offers as well as opportunity to direct 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 Alternative Delivery Model’ 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 improve services during this period of financial uncertainty. A successful move of the TLC 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.

Note however that Delivery Options three and four are not mutually exclusive for example there are the possibilities of:

- the ADM procuring from third parties to benefit from the commercial sector expertise where it would be helpful; and
- The outsourcing approach being used in such a way as to procure a partner to develop an ADM approach.

8.2 Next Steps

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

- To agree to the internal recruitment of an interim core structure to take the process forward and establish the ADM;
- To agree funding for the next stage of the process which will be identified in the final business plan
- To agree the group structure of the ADM from the list as detailed in **Appendix Three**;
- To agree the final scope of the ADM and which services will be transferred an inception and which ones will be considered for the next phase;
- To produce a draft business plan for the ADM for approval prior to establishment.

Appendix One: Council Priorities and Current Service Delivery

Council Priority	Current Service delivery
Education	<ul style="list-style-type: none"> • Providing learning experiences to enable young people to fulfil their potential as empowered individuals & members of communities through the provision of an adequate Youth and Outdoor Education Service.
Protecting Vulnerable People	<ul style="list-style-type: none"> • Supporting an active and healthy Monmouthshire and a healthy lifestyle through the participation in physical activity and the provision of a GP Exercise Referral Scheme. • Offering a bespoke packages to those most vulnerable NEET 16-24 year olds in order to sustain education, employment or training and reduce the potential for youth unemployment. • Offering a youth counselling service to support the County's most vulnerable young people during difficult times. • Offering training via volunteer programmes to promote community participation and cohesion.
Supporting Enterprise, Entrepreneurship and job creation	<ul style="list-style-type: none"> • Raising the profile of Monmouthshire regionally, nationally and internationally with a view to increasing visitor spend and extending the visitor season. • Increasing visitor numbers to leisure centres and visitor attractions by adding value to existing products and developing new products to attract new markets. • Create links with local businesses to provide opportunities to buy and sell services.
Maintaining locally accessible services	<ul style="list-style-type: none"> • Providing a full range of leisure services in Monmouthshire towns. • Investing in buildings to create quality spaces that will attract greater visitor numbers and improve financial viability.

Appendix Two: Engagement Process

Engagement process

Engagement has been integral from the initial stages to the final product achieved. Staff are our greatest asset and it is important that they have the opportunity to be involved in the journey. As with any change there will be fears, challenge and opportunities discovered, and when they do it is important that they are dealt with along the way.

Engagement processes to date	Purpose
Bringing together of leisure, outdoor education and youth service	To ascertain synergies; duplication and conducting a 'What Matters' exercise with staff on the processes of the ADM; what they needed from the process and concerns they had
Bringing together of Cultural services as a result of the Amion report	To respond to findings of report and improve services for the future
The creation of 'Change Ambassadors', a group of staff who have volunteered to assist in the process, with an equal membership from all service areas	Ambassadors will ensure staff and volunteers are fully involved in the change process and have access to appropriate communication channels
Regular meetings with nominated Members	To inform Members of progress made at each stage; to ensure messages and direction are clear and meet expectations
Regular meetings with Union representatives	To inform union representatives of progress being made at stages and opportunity for them to raise queries
Engaging with our service users to establish 'What Matters' to them on the services they use	Paper and on-line surveys were distributed to services users to 'dip-test' what was important to them. Circa 1200 surveys completed and responses being analysed

Communication is key and must be clear, honest and concise for those receiving. Through a growing network, regular email updates have been sent out to service staff, SLT, Members and Unions to ensure key messages are relayed as quickly to as many people as possible. Face to face meetings have been arranged when appropriate to engage staff, SLT and Members and have the opportunity to discuss key stages reached.

Employee Engagement

Employees come first – we will take care of our employees and they in turn, will take care of the customer. If they believe in the organisation and what we are trying to do, they will feel more confident about the long-term prospects. Ultimately making them engaged and offering the optimum customer experience. It's a virtuous circle.

Employee engagement will take varying formats to ensure all are able to have an input at each stage.

To assist in the communication to staff, we have engaged the Change Ambassadors. The Change Ambassadors group have worked with the project team to:-

- Act as champions in promoting the progress of the ADM project within their service areas by ensuring that progress is regularly reported back to colleagues
- Ensure the engagement with staff and volunteers is two-way, direct, transparent, open and easily understood.
- Ensure staff and volunteers feel included, listened to, valued and involved in the change process
- Ensure feedback from staff and volunteers is shared with the ADM team as necessary
- Assist in the facilitation of staff engagement events
- Create communication channels that are appropriate and meet the needs of staff and volunteers

The role of the Change Ambassadors will be critical in assisting us during this process and supporting service user events in the future.

Using previous intelligence and data from services

We know that all services have all engaged in the past with their customers however we are aware that we hold data in many places and formats. Once we have identified the sources of its intellectual property and anecdotal feedback, we will analyse the findings, and with employees discuss what information could be useful to inform future processes.

Appendix Three: Potential Delivery Options for the Services

Delivery Option	Description	Type of Legal Vehicles
In-House Provision	Services will continue to operate in-house in accordance with the existing service delivery and staff.	In-House Direct Provision
An Alternative Delivery Model formed from one or range of Delivery Options Below:		
Organisation owned by the Council – Teckal	Teckal company operates the service to meet the council needs. A commercial company, operating with more freedom, 80% of its income comes from the Council.	In-House Direct Provision but with own Board of Directors
Community Interest Company	A company set up with a social purpose, using any profits and assets for public good.	If CIC limited by shares, can declare dividend out of profits if: <ul style="list-style-type: none"> • approved by shareholders via resolution; and • lower than the aggregate dividend cap (35% of distributable profits). <p>If CIC limited by guarantee, no dividends.</p>
Company Limited by Shares	A company with 'share capital' which shareholders are obliged to contribute a share of the profits based on their shareholding.	Not for profit or profit making for shareholders via dividends
Company limited by Guarantee	This company does not have to be charitable and the Council could be the sole shareholder but it would need to demonstrate its independence, can provide flexibility between operating a profit and protecting the assets of an organisation.	No Shareholders so no dividends to pay however, profits cannot be distributed to members if registered as a charity.
Community Benefit Society	Not registered with the Charity Commission but 'exempt' charities which operate for the benefit of communities	CBSs - profits not distributed to members.
Charitable Incorporated Organisation	Charitable and registered by Charity Commission, liability of trustees and members is limited. CIOs get mandatory relief on business rates and other tax reliefs.	Restricted – CIO income must: <ul style="list-style-type: none"> • be applied solely towards the promotion of its objects • not be paid or transferred directly or indirectly by way of dividend, bonus or otherwise by way of profit to any of its members.
Delivery by an external organisation		

Outsource to a Commercial Organisation	A Commercial Organisation to deliver the Services. The Council's role would be to contract manage the delivery and the Council would remain responsible to its citizens for the Service they receive	Profit Making
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