

OUTLINE BUSINESS CASE

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



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Contents

Executive Summary	7
1. Introduction.....	17
1.1 Approach to applying the five case model.....	17
1.2 Structure of this report	17
2. Strategic Case.....	18
2.1 Introduction.....	18
2.2 Monmouthshire County Council	18
2.3 Background	19
2.4 Services scope	20
2.5 Financial Position.....	24
2.6 Growth in Demand for the Services	25
2.7 Requirements of the Well Being of Future Generations (Wales) Act 2015	26
2.8 Rising Expectations of Service Users	27
2.9 How this Proposal will address the TLCY Challenge.....	28
2.10 Access to Other Funding Streams	29
2.11 Potential Savings and Commercial Opportunities	30
2.12 Strategic Case for Change.....	31
2.13 Update Position	31
2.14 Conclusion.....	31
3. Economic Case.....	33
3.1 Introduction.....	33
3.2 Delivery Models	33
3.3 Advantages and Disadvantages of the Options.....	34
3.4 Qualitative Evaluation Criteria.....	39
3.5 Delivery options assessment	40
3.6 Analysis of Costs and Benefits.....	46
3.7 The Preferred Option	48
3.8 The ADM	49
3.9 Key Drivers	49
3.10 Conclusion.....	49
4. Commercial Case.....	51
4.1 Introduction.....	51
4.2 ADM Structure	51
4.3 Procurement Requirements	55
4.4 Governance	59

4.5	Council and Charity Commercial Arrangements.....	62
4.6	Staffing Considerations.....	65
4.7	Conclusions	68
5.	Financial Case	69
5.1	Introduction.....	69
5.2	Financial Position for 2015/16.....	69
5.3	Projected Financial Position.....	70
5.4	Financial projection.....	76
5.5	The impact of the Annual Management Fee	76
5.6	Summary and Conclusions	77
6.	Management Case.....	79
6.1	Introduction.....	79
6.2	Project outline, project plan.....	79
6.3	Charity Commission.....	79
6.4	Governance Structure.....	79
6.5	Risk Register	80
6.6	Contingency Plan.....	80
6.7	Engagement	80
6.8	Conclusion.....	83
6.9	Update Position	83
	Appendix A - Monmouthshire County Council Principles	84
	Appendix B - Council Priorities and Current Service Delivery	85
	Appendix C - Service Area Overviews.....	86
	Appendix D - Asset Listing	91
	Appendix E – Possible Funding Opportunities (Not all available to Local Authorities).....	95
	Appendix F – Scoring Matrix Options Appraisal Outcomes.....	101
	Appendix G - Option Appraisal Workshop	106
	Appendix H – ADM Company Structure	108
	Appendix I - State Aid.....	111
	Appendix J – Main VAT considerations when Local Authorities Outsource Provision of Services to Charities.....	113
	Appendix K – Risk Register	116
	Appendix L - Engagement	119
	Appendix M - Findings from Engagement Events across all stakeholders.....	123
	Appendix N - Service User Engagement.....	131
	Appendix O - What Matters Service User Survey.....	135
	Appendix P - The Big Conversation	137
	Appendix Q - County, Town and Community Council Engagement	139

Appendix R - County, Town and Community Council Engagement 141
Appendix S - FAQ and responses compiled from Town and Community Councils visits 143
Appendix T - Trade Union Engagement 147
Appendix U - Partner Engagement..... 148
Appendix V – Potential New Income Sources 149
Appendix W – Project Implementation Plan 150



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Glossary

The following abbreviations have been used in this report

The Council	Monmouthshire County Council
MCC	Monmouthshire County Council
TLCY	Tourism, Leisure, Cultural and Youth Services
ADM	Alternative Delivery Model (as recommended by Anthony Collins)
SOC	Strategic Outline Case
OBC	Outline Business Case
FBC	Final Business Case
CIC	Community Interest Company
CLG	Company Limited by Guarantee
CLS	Company limited by Shares
CIO	Charitable Incorporated Organisation
NNDR	National Non-Domestic Rates
SLA	Service Level Agreement
TUPE	Transfer of Undertakings (Protection of Employment)
HMRC	HM Revenue and Customs
LATCO	Local Authority Trading Company
KPIs	Key Performance Indicators
GI	Green Infrastructure
MTFP	Medium Term Financial Plan
GVA	Gross Value Added
NPV	Net Present Value
NPDO	Non-profit distributing organisation

Executive Summary

This Outline Business Case (OBC) has been developed to inform and enable a decision by Monmouthshire County Council (MCC), on the future delivery of Tourism, Leisure, Cultural and Youth Services (TLCY).

The main purpose of the OBC is to revisit the case for change and the preferred way forward identified in the Strategic Outline Case (SOC); establish the option which optimises the most appropriate fit for MCC and a model that demonstrates sustainable delivery of the broad range of services in scope, value for money and affordability. The OBC explains the background to the proposal and sets out the Strategic, Financial, Economic, Commercial and Management case in support of the proposal. The proposed legal structure and financial case has also been subject to independent professional assurance.

Set out below are the key conclusions from the business case which are supported by the detailed findings in the OBC and supporting appendices. In summary, this OBC identifies the key opportunities available through the establishment of an alternative service delivery model which would otherwise not be available to the Council within its existing service delivery structure.

Key Conclusions

- The preferred option is to establish a form of group company structure including a local authority owned and controlled company, a charity and a trading company in order to optimise the available resources, trading opportunities and investment potential. This preferred solution will enable the continued delivery of local services and allow necessary investment to sustain and grow the service offer available.
- The proposed operating model enables the continued delivery of services within a restricted financial envelope without any rationalisation by the Council. The protection from inflationary increases and the requirement for the operating model to develop new income sources could over a ten year period save the Council circa £5.5m (section 5.5)
- The preferred option will set the best financial conditions for the services, enable teams to thrive and grow and continue to provide locally delivered services by our trusted workforce.
- There may be greater access to finance in capital markets for growth and investment which is neither available nor affordable to the Council.
- The ability to trade opens up commercial opportunities unavailable to the Council which should reduce the Council's direct contribution over time. Assets included within the scope of this report currently has a maintenance backlog of £4.4m 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
- The Council will still be able to deliver its strategic vision through its contractual arrangements and importantly its Board participation.
- The Alternative Delivery Model (ADM) will be able to respond far more quickly to market conditions as the organisation will be have a commercial focus better able to manage risks and opportunities.

- Only in house and ADM can deliver added social value. Outsourcing to private companies or charities does not do this at all (or not as well). The ADM can deliver more added social value (through a closer working relationship with communities, freedom to act in new ways and higher motivation of staff) than the in house model.
- All the models will be expected to deliver savings as specified by the Council - so they are broadly the same on this criteria; all the models are also required to provide the service outcomes as at present.
- Only the ADM and a non-profit provider can deliver new income from charitable sources. An external provider would have to take a proportion of this income for itself (and may not deliver as much).
- The ADM does involve set up costs - these are small compared to the long term benefits and can be effectively paid back from increased new income and funding.
- External providers will have no incentive to provide any additional services or innovation (they typically will charge extra for add-ons). The ADM would be set up specifically to provide new and additional services through innovation and enterprise.

For the purpose of the business Case, the model assumes a 1st April 2018 start date. This is subject to critical path items to the timetable being met and the issues raised in here being agreed or finalised.

Strategic Case for Change

The Council is facing significant challenges with an ageing population, increasing levels of obesity and inactivity, all of which are increasing the financial and demands on both Education and Social Services. The value of a positive first 1,000 days of a child's life has significant correlation between achievement and intervention levels in later life. Physical inactivity is the fourth leading cause of ill health in the UK and spending on the NHS is recorded at £1,000 per second on dealing with preventable ill health.

The Council has recognised that access to local services is one of its priorities however it also understands that under the current financial environment, delivery of these services is becoming more challenging. A more commercial approach is required and the need to balance the need for local delivered services with a more efficient delivery model.

These services are the dominant providers of a whole range of community culture, sports and leisure facilities, from swimming pools, outdoor education, attractions, country parks and rights of way. Increasingly these services are seeking to achieve wider objectives and prevention of ill health, social isolation and mental health issues and focusing on the wellbeing of their local community. The Health and Wellbeing role and the encouragement of physical activity are built around common objectives requiring a fresh approach to their delivery and funding. There are opportunities for enhancing and expanding the role of these services by combining the offer and taking advantage of a growing awareness for investment in tackling the causes of ill health and obesity rather than focusing on curing the long term effects of inactivity.

The Council is currently undertaking a transformational programme called Future Monmouthshire. There are a number of initiatives underpinning the programme, one of which is looking at the way services are provided within the authority and the alternative delivery models for services within Tourism, Leisure, Culture and Youth.

The Council faces the challenge of a reducing budget. The Medium Term Financial Plan sets out the aim of saving £10.994m by financial year 2020/21, or broadly 6.8% of its annual revenue budget. The provision of the services outlined in this OBC is viewed as a crucial aspect of this cost saving programme. The Council has recognised the need to review the model of service provision for TLCY services as there are a range of perceived advantages of alternative models, including:

- Focused body with clarity of outcomes
- Independence and ability to diversify
- Greater speed of decision-making
- Increased access to other funding streams
- Ability to react quickly to market forces
- VAT and Non-Domestic Rates (“NNDR”) savings
- Commercial revenue growth
- Improved financial performance
- Sustainability of service provision

The review of the various models available allows these perceived advantages to be explored across a range of options and against appraisal criteria that reflect the Council’s overall aims and objectives. 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.

In addition to this, MCC through its Future Monmouthshire plan is looking to be more entrepreneurial and business like and to be more focussed on outcomes rather than the mechanisms through which service delivery is organised. This opens up new possibilities for service design and delivery. In

governance terms this represents an excellent opportunity for communities to have greater say and control in delivery of their services.

The ADM is the strategic preferred option because;

- It is in tune with Council priorities and will still allow Monmouthshire some ownership and influence over future direction;
- It is able to deliver a high level of public and social value.
- It will set the best financial conditions for the services, enable teams to thrive and grow and continue to provide locally delivered services by our trusted workforce;
- It will ensure a commercial drive which continues to return money either back to improve services or to reduce Council subsidy, both being as equally important;
- It will provide a sustainable footing for non-statutory high value services that prevent ill health and promote wellbeing taking demand from critical Council services;
- The services will retain a local distinctiveness; and
- It aligns with the values of Future Monmouthshire and key partners.

Economic Case

Identifying options and selecting the preferred option

The Council agreed in October 2016 the options to be considered for delivery of the services detailed in this OBC. These options were

- Doing Nothing;
- Transforming the Services in House;
- Moving the Services into an Alternative Delivery Model; and
- Outsourcing the Services to a Third Party (either a private commercial operator or another third sector organisation)

The preferred option is by transfer of the services to an ADM.

Qualitative Evaluation

Each of the options were evaluated against a weighted range of criteria by a cross election of both Officers and Members. The highest scoring option was to move towards and ADM.

Analysis of Costs

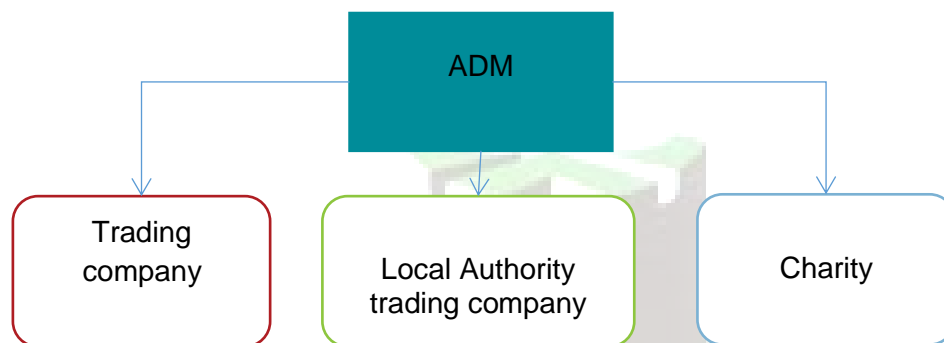
The analysis of the preferred option demonstrates that when compared against the Doing Nothing option, the Alternative Delivery Model (ADM) demonstrated the highest value for money. The financial benefit is the result of VAT and NNDR savings less the additional costs of running the ADM. These savings are unlocked with the selection of the ADM as the preferred delivery option.

In order to deliver these benefits the commercial issues and risks must be robustly managed and a clear financial position established by way of a business plan for the new entity.

Commercial Case

The strategic case identifies the preferred option as an ADM made up of a form of group company structure including a local authority “Teckal” controlled company, a charity and a trading company. This is supported by the economic case where the financial benefits of the ADM have been calculated. The recommended structure offers the protection and familiarity of the Companies Act, Charities legislation etc. supported by clear and established legal precedents over the rights and obligations placed on the members of the Board.

Figure 1: Proposed ADM Structure



Source – Anthony Collins Option Report

Any independent directors would be selected through a recruitment process. A formal strategic risk assessment and risk mitigation strategy would need to be regularly undertaken by the Board and its Chief Officer.

Procurement

The Council will need to demonstrate that it is complying with its procurement obligations. The most relevant potential procurement options open to the Council are;

- **Option 1** - Form a Local Authority Trading Company (LATCO) as a Company Limited by Guarantee or Shares. There would not be a requirement to undergo a procurement exercise, if the Council ensured compliance with the ‘Teckal’ exemption.
- **Option 2** - Procure the services in accordance with the new “light touch regime”; however the Council could only do this for an initial three year period and then the services would need to be re-tendered.
- **Option 3** - Run a limited “public service mission organisation” competition, also referred to as a “social enterprise” competition; or
- **Option 4** - Consider whether MCC would like to procure a partner to help leverage in some additional expertise or investment.

With the preferred option there would be no requirement to undergo a procurement exercise.

Commercial Arrangements

The main commercial arrangements between the Council and the ADM are likely to be as follows:-

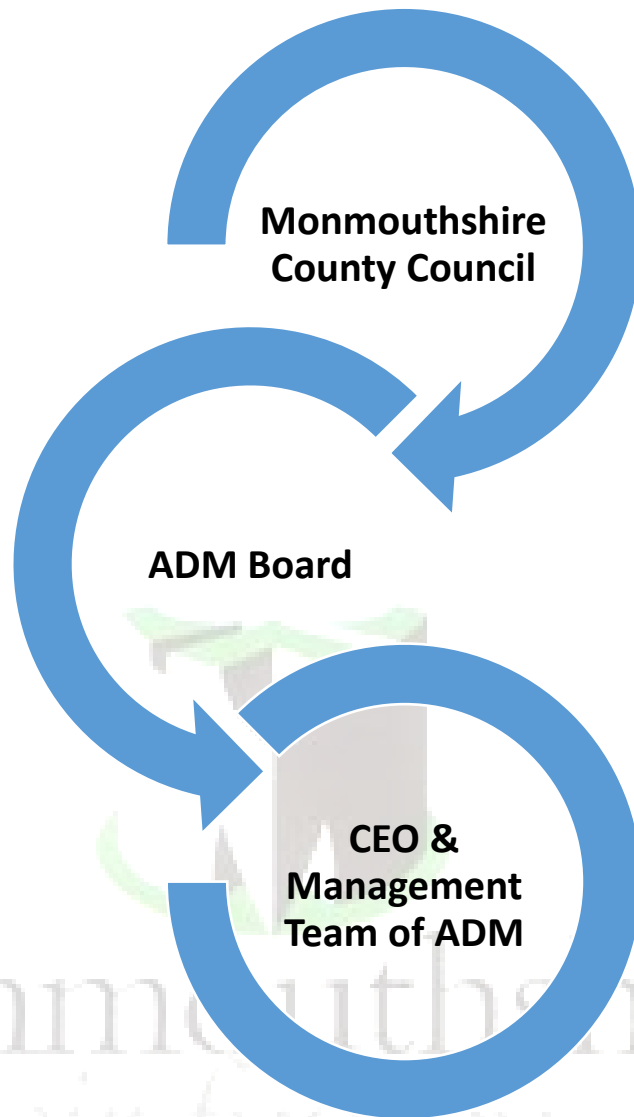
- Leasing Agreements – ownership of the building assets could be retained by the Council and leased to the ADM.
- Support Services Agreement – the ADM will require a range of support and administration services which could be provided by the Council (over time the ADM may decide to receive this support from other providers).
- Service Agreement – this sets out the terms of the management agreement and the services to be delivered by the ADM to the Council and includes a range of KPIs and places outcome and performance obligations on the ADM.

The ADM will be required to operate in a commercial way within a competitive market and will need to be an efficient and effective organisation. It will need to maximise the opportunities for income generation. The ADM will need to focus on driving down its costs and developing a regular programme of re-investment in the quality of provision from any surpluses generated. It will also need to establish a suitable Reserves fund for the ADM.

Figure 2 demonstrates the likely type of arrangement that would exist between the Council, the ADM Board and the ADM Management Team.



Figure 2: Likely Arrangements



Financial Case

Savings from VAT and NNDR

The preferred option allows the ADM to realise financial savings. These savings are driven from the relief from NNDR.

As part of the ADM will have a charitable status, certain income streams that it generates will be exempt for VAT purposes and this provides VAT savings to the ADM. The Council is currently required to charge VAT on the provision of these services, whereas the ADM will be able to treat the provision of the services as exempt for VAT purposes. The savings arise where the price charged to customers remains unchanged and the ADM is able to retain the portion of income that the Council had to charge and account for as VAT. Tax Advisors, Mazers has indicated that this saving will be offset by the loss of VAT if a grant rather than a service contract was awarded to the ADM.

For the NNDR savings the ADM must be a registered charity. The application will need to be submitted to the Charity Commission. They will need to confirm that the company meets the criteria to achieve charitable status subject to the articles of association being agreed by the Council. Once this has been approved, a charity number will be issued.

The estimate for potential NNDR savings for the first year are estimated to be £238k per annum.

Additional Costs

The Council will incur costs during the setup of and initial transition to the recommended model. These are projected to be £175k for expenditure in areas such as set up costs, legal costs, media, website and marketing.

Additionally, the new ADM will incur a range of recurring annual costs. Commonly, such costs can be in a range of £50k to £300k and have been estimated for the ADM to be £95k.

Additional Savings

In addition, MCC has highlighted additional savings as identified in this executive summary which represent a maximisation of the NNDR savings of 238k. It does exclude the potential to realise a level of operational savings driven from either an increase in revenues and /or a reduction in costs through the stream lining of existing processes. The successful track record of other similar organisations indicates that this is likely however these savings are not guaranteed and at this stage of the outline business case, have not yet been developed.

A three year business plan will be developed for the final business case which will identify new opportunities for investment, and income generation.

Annual Management fee payable by the Council

Services within TLCY operate within a deficit funding model. For the year 2015/16 this amounted to £2.887m and the projections for 2016/17 are £2.918m. In order for the new model to be financially viable the Council will need to pay a management fee to the ADM in order to meet the deficit. The Council would need to whether the deficit is funded by way of a grant or services contract.

The amount of the management fee will be dependent on a range of factors, such as the expected level of service provision, arrangements between the parties over the provision of functions by the Council by human resources, IT, Finance, Legal, procurement, communications, insurance and risk management, performance management / continuous improvement and ADM income. Indirect costs for 2015/16 have been estimated at £1.158m although it is recognised that the allocations are only arbitrary and are currently being reassessed. The level of the management fee would therefore be the combination of the direct costs and support service costs and is therefore projected to be in the order of £4.045m in a full year based on 2015/16 prices.

The anticipation would be to agree a funding model for an initial period at a fixed amount to be negotiated. During this period the ADM must meet all of its inflation increases, thereby protecting MCC from those annual increases. At the end of the funding agreement, MCC may seek to reduce the contribution by a mutually agreed amount. Based upon a five year agreement and allowing for subsequent reductions in funding of 5%, this is estimated to be £5.5m over a ten year period as demonstrated in the following table.

Table 1 – Impact of Potential Funding Model

	Assuming 5 Year Fixed Contract with 5% reduction			Assuming 10 Year Fixed Contract		
Year	Option 2 - Transform in House £000's	Option 3 - ADM £000's	Potential Savings £000's	Option 2 - Transform in House £000's	Option 3 - ADM £000's	Potential Savings £000's
1	4,269	4,241	-28	4,269	4,241	-28
2	4,279	4,066	-213	4,279	4,066	-213
3	4,325	4,066	-259	4,325	4,066	-259
4	4,393	4,066	-327	4,393	4,066	-327
5	4,473	4,066	-407	4,473	4,066	-407
6	4,554	3,863	-691	4,554	4,066	-488
7	4,636	3,863	-773	4,636	4,066	-570
8	4,719	3,863	-856	4,719	4,066	-653
9	4,803	3,863	-940	4,803	4,066	-737
10	4,888	3,863	-1,025	4,888	4,066	-822
Total	45,339	39,819	-5,520	45,339	40,835	-4,504

Summary of financial savings

Table 2 provides a summary of the financial implications:

Table 2 - Summary Financial Implications

	Amount £'000
One off implications	
Transition costs incurred to set up ADM	175
Year 1 implications	
VAT, NNDR and management structure savings	238
Recurring costs incurred by the ADM	95

Source – FPM

The above analysis excludes the potential for further efficiency savings in the operating model other than NNDR savings.

Management Case

To ensure the successful delivery of the ADM best practice suggests that a Shadow Board and Project Board would need to be established. The following key areas need to be considered:

- Transformation of service delivery
- Establishment and training of a Shadow Board
- Establishment of work streams looking at property, service level agreements, company documentation, pensions, human resources, finance, branding, governance and preparation of the Business Plan

- Preparation and delivery of key IT functions such as internet and intranet and review of booking and payment systems
- Recruitment of Senior Staffing
- TUPE transfer process for potential go-live date
- The Charity Commission application process
- HMRC engagement
- Admitted Body Status for the provision of pensions for staff

The project will need to be supported by strong governance, with the Project Team reporting to the Senior Leadership Team and thereafter to the Shadow Board and the Future Monmouthshire Core Team with decisions on further approval to be made by the Full Council. Effective risk management will need to be undertaken through monitoring and updating the risk register. A suitable contingency plan will need to be in place to continue with the current service model, should unforeseen issues delay the implementation of the ADM.

Throughout this process regular communication with elected members, employees and service users and unions has been and will continue to be undertaken.

Next Steps

If the council agrees the Outline Business Case, the next steps are to move to preparing the Full Business Case. This will provide more detail about the outcome of the procurement process, a final check on affordability and value for money; the contract details; a comprehensive delivery plan and benefits realisation. The Council will then need to agree key documents, and prepare for the go-live date ensuring from the customer and staff perspective there is a high quality service in place. This will include;-

- 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 shown in Figure 1.
- To continue the staff, community and service user consultation process;
- 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.

1. Introduction

This outline business case is based upon the principles of the five case model recommended by Welsh Government. The purpose of this document is to update the strategic outline business case prepared in October 2016 and to capture the reasoning for initiating the project and to describe the resources required to deliver the project.

1.1 Approach to applying the five case model

The standard guidance requires business cases to be developed in 3 stages:

- ▶ Strategic outline case
- ▶ Outline business case
- ▶ Final business case

1.2 Structure of this report

The OBC is structured as follows:

- ▶ Strategic case – To confirm the strategic fit and business needs within the context of MCC and the Future Monmouthshire initiative.
- ▶ Economic case – To demonstrate the options that were identified, the appraisal process undertaken and to identify the preferred option.
- ▶ Commercial case – To set out the commercial implications in areas of corporate structure, governance, contractual arrangements and staffing considerations.
- ▶ Financial case – To set out the financial implications of the preferred option.
- ▶ Management case – To describe the approach to implementation of the preferred option, demonstrating the project is achievable and can be delivered successfully.

Where appropriate, further detail on specific areas is contained in the appendices.

2. Strategic Case

2.1 Introduction






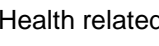
This section updates the strategic context driving the need for MCC to review the model for the provision of the services outlined in the SOC. The section provides summary background information on the Council, and the services within scope for the ADM which forms part of the Future Monmouthshire programme work stream. This enables the strategic case for change to be established.

2.2 Monmouthshire County Council

Monmouthshire is a large and semi-rural county and is located in the south east of Wales and has population of over 92,000 across a land mass of 880 square kilometres. It is often perceived as leafy and this can sometimes mask differences within and between communities. Monmouthshire is made up of five clusters: Abergavenny and surrounding area; Monmouth and surrounding area; the heart of Monmouthshire which includes Usk and Raglan; Chepstow and the Lower Wye Valley and Severnside which includes Caldicot and Magor.

The following key highlights on Monmouthshire demographics are set out by way of context:

Table 3 - Key Demographics

 Total Population	<ul style="list-style-type: none">• 92,476
 Gender breakdown	<ul style="list-style-type: none">• 52% female• 48% male
 % of age breakdown of Population	<ul style="list-style-type: none">• 0 – 15 yrs 16.8% (below WNA)• 16 – 64 yrs 59.6%• 65+ yrs 23.7% (above WNA) <p>An ageing population is a feature of the UK and Wales but particularly of Monmouthshire. By 2039 the population aged 65 and over is projected to increase by 61% and, more significantly, the number of people aged 85 and over by 185%.</p>
 Life Expectancy	<p>Life expectancy for people in Monmouthshire is the highest in Wales, although there are variations with those living in the least deprived areas of the county expected to live longer than those in the most deprived areas.</p> <ul style="list-style-type: none">• 80.7 yrs Males• 84.2 yrs Females
 Obesity statistics	<ul style="list-style-type: none">• 53% of adults report being overweight or obese*• 21.1% of 4-5 year olds are reported as overweight or obese*
 Health related	<ul style="list-style-type: none">• 18% of population report as smokers*



- 27% of population report binge drinking at least once a week*
- 30% of adults report meeting the required exercise activity guidelines per week*
- 48.8% of children and young people take part in sport on three or more occasions per week*

*Source: Social Well-being data 14-15 from Wales Data Unit

The Council supports the local population by providing a range of statutory and non-statutory services. This direct cost of service provision was £2.887m in the year ended March 2015. This does not include the cost of central support costs or any other indirect costs. This will be discussed later in the document.

Table 4 - Annual Direct Cost of Services

Service	Net Cost £000's
Leisure	941
Attractions	352
Arts	29
Youth	713
Outdoor Education	-3
Tourism	206
Countryside	649
Total	2,887

Source – MCC Financial Ledger

2.3 Background

Cabinet in October 2014 commissioned a critical piece of work called “Informing The Future of Cultural Services” to inform options and opportunities for the future of Monmouthshire County Council’s cultural assets and attractions. This was considered critical to do because:

- The continuing turbulent economic climate meant that revenue funding available for the service will decline, rendering it unviable in a short period of time;
- The size of the backlog of capital investment, maintenance and repair is significant and will require external support and contributions;
- Many of the main capital and revenue funding opportunities available are not currently obtainable by public bodies such as councils;
- New business models are required that require specialist approaches and knowledge of markets and not-for-profit entities;
- Customer and community expectations are shifting and improvements and developments are rightly expected. Customers care less about who runs services and more about what is delivered and the quality of outcomes;

- The scale of social, economic and environmental change over the next 5-10 years will be such that planning needs to begin now in order for us to foresee new challenges and develop appropriate solutions to them;
- Potential exists for new funding opportunities; to attract expert help, support and guidance and to secure new investment and growth options; and,
- A new business strategy is required, along with a new guiding philosophy and belief-set in order to achieve success.

In carrying out the work on the cultural services review it became apparent that because museums and cultural / tourism attractions overlap and touch so many wider services and functions, it was difficult to consider them in isolation. In view of the links and inter-dependencies at a service-wide and local level, Cultural, Events, Leisure and Youth/ Outdoor/Recreation services, run as a family of services and rely upon one another for promotion, support and optimal operation. As a collective, they help position the county as a great place in which to live, work, play and visit. They also play a significant part in place-shaping, preventing demand that would normally end up requiring intervention by costly statutory services and all make a significant contribution to the social and economic health of the county.

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 expansion of the review of Cultural Services to incorporate parallel and complementary services of Leisure, Events, Youth and Outdoor Learning and in December 2015; Anthony Collins Solicitors were subsequently appointed to undertake an independent options appraisal of the in-scope services.

The Strategic Outline Case was presented to Cabinet in October 2016 who agreed the recommendations to move to the next stage of developing a FBC for further consideration by Members and to continue the staff, community and service user consultation process. In December 2016, Senior Leadership Team advised that Cabinet should receive an outline business case rather than the full business case.

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 £11m of savings by 2020/21. 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.

2.4 Services scope

The services are as follows:-

- Leisure and Fitness
- Outdoor Education
- Countryside
- Tourism, Marketing, Development and Visitor Information

- Arts and Events
- Youth Service
- Management and Marketing of Visitor Attractions to include Caldicot Castle and Country Park, Tintern Old Station and Shire Hall, Monmouth
- The Museum service is expected to be included at a later stage as part of an ongoing review within that area

The above areas all represent a broad spectrum of facilities, services and programmes related to the provision of enhancing the health, fitness and personal wellbeing of the residents of Monmouthshire. A fuller description of these services is contained within Appendix C. A map showing the location of the assets are shown in Appendix D.

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 5.

Table 5 - 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.

Source – Anthony Collins Options Report

2.4.1 Leisure and fitness

Our Purpose is to provide clean, friendly, accessible facilities and services for all our customers. Our Vision is that our facilities and activities are designed to enhance the quality of people's lives and improve the health of the communities that we serve.

2.4.2 Attractions

2.4.2.1 Caldicot Castle and Country Park

Our purpose is to provide a popular destination for school visits, family occasions such as weddings and private parties, caravan rallies, ghost walks, re-enactment and specialist themed weekends and memorable red letter event days as well as hosting large concerts.

The vision for the Castle in the Park is to be recognised as a premier castle heritage destination providing a strong focus for engaging with the local community and for visitors to South East Wales. We will encourage greater involvement and ownership through improved access, allowing the development of recreation, interpretation and education for all.

2.4.2.2 Shire Hall

Our purpose is to provide a high quality venue and other services to a wide range of people, including schoolchildren, community groups, tourists, wedding parties, art exhibitors and commercial business. We focus particularly on an extremely high standard of customer care.

Our vision (Helping to create wonderful memories) is to enable our visitors, both local and from further afield to connect with our rich history and explore our beautiful building. We strive to ensure that, whatever the occasion, our guests' experience is as special, memorable and impressive as possible.

2.4.2.3 Old Station

Our purpose is to provide the best possible customer focussed, accessible tourist attraction while striving to generate economic and social benefits for the local community and also to the visitors to Monmouthshire.

Our vision is to successfully create a connection with our customers and employees as many may stay loyal for life, this will lead to giving us a chance to increase overall profitability while building a solid foundation.

2.4.3 Outdoor Education

Our purpose is to provide a high quality, cost efficient outdoor education and adventure activities across SE Wales and beyond.

Our vision is that our facilities and activities are designed to enhance the quality of people's lives and improve the well-being of the communities that we serve.

2.4.4 Green Infrastructure & Countryside

Our purpose is to make Monmouthshire a green and healthy place to live, work and visit, through a well-connected and accessible network of green and blue spaces which embrace our unique and special landscape and rich diversity of species and habitats, or put more succinctly "to support resilient & active environments for all".

Our vision is to enable active lifestyles and to work with others to maintain and enhances a living natural environment with healthy functioning ecosystems that supports social, economic and ecological resilience.

2.4.5 Tourism, Marketing, Development and Visitor Information

Our purpose is to increase the competitiveness of Monmouthshire as a year round sustainable tourism destination to grow the economic, environmental and social contribution of Monmouthshire's visitor economy.

Our vision is to achieve a strategically driven and coordinated approach to destination development, management and marketing to increase Monmouthshire's contribution to the regional and national visitor economy of Wales.

2.4.6 Events

Our purpose is to bring people together to enjoy themselves, to show off our Monmouthshire's most-loved assets and to generate income to invest in our county. We fuel ourselves on ambition and collaboration. As a small and developing function, the Events team have delivered a number of successful projects over the two years that it has been in operation. We know that events are an important component of the cultural, social and economic life in Monmouthshire and are valued as such by residents, businesses and visitors alike.

Our vision over the next couple of years is to position our organisation to actively introduce new events which complement the cultural assets of the county and support our county's current portfolio of events to grow and be sustainable - it's our collective aim to promote the profile of Monmouthshire to regional, national and international visitors.

2.4.7 Youth

Our purpose is to enable young people to develop holistically, working with them to facilitate their personal, social and educational development, to enable them to develop their voice, influence and place in society, and to make informed choices to reach their full potential.

Our vision is to lead the way, working collaboratively with youth support services to increase the youth offer to young people in Monmouthshire.

2.4.8 Business Success through Collaboration

Creating a new model of opportunity for the services will enable them to sustain and develop the good work that has already been achieved. As well as leading to significant benefits to the Council and the county, a new organisation will be in a strong position to promote healthier lives, to create inspirational experiences and to promote the vibrancy of the county as a great place to be. Bringing together the identified services will develop a progressive vision as an independent partnership involving and inspiring people, promoting and enhancing the positive benefits of leisure, cultural and community services in terms of health and well-being, learning, community development, creativity, social and recreational opportunities.

A thriving and progressive new delivery model will support local business, the visitor economy, community health and wellbeing, directly contributing to the Council's vision of resilient, sustainable communities. Our collective vision is of healthier, happier, fitter future generation – where obesity will not be harming children and limiting the wellbeing and health of future generations in Monmouthshire. Physical inactivity is the 4th leading cause of ill health in the UK – we will be enabled to galvanise our services into local communities to ensure we create more

opportunities for service users and to reduce the likelihood of future illnesses thus playing a preventative role in these escalating to other statutory services.

Participation in sport reduces anti-social behaviour by preventing boredom, teaching life skills and diverting young people away from crime. We currently offer one night a week to a group of 70+ young people through shared delivery by leisure and youth service. We will be able to extend this offer throughout each town and increase service involvement to ensure our younger community members are engaged in a positive way.

We will deliver best value for every pound invested in the new model; including generating investment opportunities for the development and improvement of cultural, leisure and community services. Through collaborative funding applications, we will be able to have an effective and coordinated approach to improve the overall diet, physical activity and healthy weight of our community members. For example, through GI Infrastructure, Leisure and Outdoor learning we will be able to promote more walking and cycling opportunities that leads to less car travel, safer more welcoming streets, increased social interaction, supports local business and improved environmental sustainability and resilience.

Through an extended collaboration with community partners, we will be able to increase our offer from which to deliver activities and resources which support inclusion, empowerment, lifelong learning, skills development and literacy. We will work to create the places where we live, work, learn and play to enable community members to make the healthy choice the easy choice.

2.5 Financial Position

In the year 2015/16 TLCY recorded a net deficit of £2.887m as shown in Table 6.

Table 6 - 2015/16 Net Direct Costs

	Leisure	Attractions	Arts	Youth	Outdoor Education	Tourism	Country-side	Total
Income								
Grants	-403	0	-2	-355	0	-44	-137	-941
Other Income	-2,731	-270	-77	-3	-952	-28	-112	-4173
Total Income	-3,134	-270	-79	-358	-952	-72	-249	-5,114
Expenditure								
Employees	2,896	376	61	953	590	145	632	5,653
Premises	513	94	1	48	80	13	10	759
Transport	9	5	3	18	44	0	22	101
Supplies & Services	554	135	41	48	228	93	147	1,246
Third Party	101	12	0	0	0	27	82	222
Capital Financing	2	0	2	4	7	0	5	20
Total Expenditure	4,075	622	108	1,071	949	278	898	8,001
Net Deficit	941	352	29	713	-3	206	649	2,887

Source – MCC Financial Ledger

In 2015/16 the combined services generated £5.114m in income and cost some £8.001m to run.

The Council, like a number of local authorities, wants to review alternative methods for providing TLCY Services to the local community. This focus is driven by the fiscal pressures that local government continues to face and the increased demands on resources. As such, there is a need to establish delivery models that can provide more sustainable services.

With combined direct costs of around £2.887m and approximately 441 staff, these Services have contributed over £1.65m of revenue savings and generated £17m of income over the last four years. Costs are also expected to increase to £2.918m in 2016/17 resulting in a projected overspend of 362k.

There are now no more efficiencies to be had within the existing services without significant investment and transformation. Given the current period of austerity, if these services are to remain in the Council, the implications are detailed in Table 7, demonstrating a significant gap between the net costs of the services and the Medium Term Financial Plan (MTFP) allocation. These projected costs take account of the 2016/17 pressures and the impact of projected inflation.

Table 7 - TLCY Services Projected Funding Shortfall

Year	MTFP Allocation £000	Expected Net Cost £000	Funding Shortfall £000's
2017/18	2,463	2,952	489
2018/19	2,420	2,966	546
2019/20	2,374	2,982	608
2020/21	2,327	2,994	667

Source – MCC MTFP / Financial Ledger/ ONS (inflation data)

The MTFP is currently showing a shortfall of 7% 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 £825k. Therefore in order to meet the budget targets and remove the service deficit, there would need to be reduction in the net cost of services for 2017/18 by 18%, rising to 28% in 2020/21.

The assets included within the scope of this report currently has a maintenance backlog of £4.4m 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. The current budgets do not allow for a planned replacement of vehicles and plant or to refresh equipment which has an impact on service delivery.

The Capital MTFP shows that the Future Schools project is the single biggest capital project for MCC for the next 4 years and funding for this programme relies heavily on utilising the capital receipts that are also due to be received in the next 2 years. This has meant that the Authority now has reduced flexibility to deal with any other capital pressures or take forward new projects.

2.6 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 long term impacts on quality of life placing further pressure on public services.

2.7 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 Figure 3 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.





2.8 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.

As part of engagement processes, we have conducted a recent service user 'What Matters' consultation. From the 1200 responses received, these were the top 5 themes that mattered to service users:-

- ✔ 28% - Staff: were approachable; knowledgeable; friendly and welcoming
- ✔ 24% - Accessibility: services were local; open regular and open to all
- ✔ 13% - Cleanliness: sites and facilities were clean; had good hygiene and standards
- ✔ 12% - Equipment: maintained; up to date; accessible for all and available
- ✔ 9% - Cost: prices are as low as possible; fair and worth the service receiving

2.9 How this Proposal will address the TLCY 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 TLCY 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 as concert venues;
- Developing new and existing partnerships such as working with the Aneurin Bevan Health Board 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

Over the last 4 years 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 TLCY 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 A and B 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:

- Access funding and tax efficiencies currently outside the scope of the Council;
- Freedom to market and trade its services;
- Increase flexibility and agility in responding to needs and change;
- 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; 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 (either the private sector or to a not for profit organisation)

The objectives of the proposal were to consider the right mix of Services to be included in the proposal; to identify the best Delivery Option applying the lessons learned throughout the development of the proposal. The proposal needs to identify the best possible delivery option to help the Council address the projected funding shortfall over the next four year period.

2.10 Access to Other Funding Streams

The Council is eligible to apply for capital and revenue grants from a variety of external organisations such as Sports Wales, National Resources Wales and the Heritage Lottery Fund. The ADM can also apply to these bodies, but in addition there are a number of new opportunities for grant funding that are not available to local authorities. This includes grants from Trusts and Foundations which could support the range of activities proposed to transfer to the ADM.

There is real potential for the ADM to draw down new sources of funding to support a range of projects and programmes as listed in Appendix E and to support the development of new partnerships, potentially with the third sector as well as supporting existing partnership arrangements.

2.11 Potential Savings and Commercial Opportunities

There are other channels from which new money might be generated:

- Sales of services to customers
- Sales of merchandise
- Cafes, food and coffee
- Commercial tie ins and sponsorship
- Contracts to provide services for other public bodies (schools, colleges, Welsh Government, police, NHS, etc.)
- Contracts to provide commercial services (e.g. professional services, training and consultancy)
- Membership schemes
- Individual donations

1. Services which would benefit from being free to trade

- Leisure and Fitness – this will need a continuing subsidy, but has high potential to generate more of its income
- Visitor Attractions (Caldicot Castle; Shire Hall; Old Station). These three services all require significant subsidy at present but would need to demonstrate that it could overcome barriers to generating new income in a very competitive marketplace.
- Outdoor Education – already generating a small surplus annually from sales to schools, colleges and NCS

These services should be freed up to develop as savvy enterprises, becoming even more dynamic and innovative. As they are competing in open commercial markets they would need to be able to structure themselves appropriately

2. Services which help to create a positive and productive environment in Monmouthshire

- Countryside
- Tourism

These services would need to become innovative, enterprising public services that are still reliant on the MCC grant but freed to find new ways to provide services, new partnerships and new sources of public funding.

3. Services which are provided direct to members of the public, where there is reasonable scope for attracting donations, contracts and grants but more limited scope for trading

- Youth Service

This service would develop cultures which include elements of both 1 and 2. They may end up looking like value driven social enterprises, which still rely on grant support from MCC but develop new ways to involve stakeholders, donors and others to provide support.

Evidence from successful spinout services is overwhelming in emphasising the need for committed, effective leadership from the start of the process, by a team of people who want to take the new entity forward. This team needs to share a common vision and strong sense of ownership.

2.12 Strategic Case for Change

The Council has recognised the need to review the model of service provision for TLCY Services. There are a number of perceived advantages of alternative models, including:

- Greater speed of decision-making
- Increased access to other funding streams
- Ability to react quickly to market forces
- Single focused body
- VAT and National Non-Domestic Rates (“NNDR”) savings
- Commercial revenue growth
- Improved financial performance
- Independence and ability to diversify
- Sustainability of service provision
- Commercial empowerment for staff

The review of the models of service provision for TLCY Services allows these perceived advantages to be explored across a range of options and against appraisal criteria that reflect the Council’s overall aims and objectives in its Corporate Plan and through the Future Monmouthshire Transforming programme. This options appraisal forms the basis of the Economic Case.

2.13 Update Position

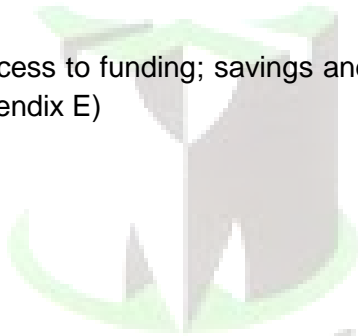
During the development process, Officers have visited a number of other Local Authority Alternative Delivery Models and witnessed first-hand the strategic advantages for both the respective Council’s and the ADM. These advantages have included the ability to recruit for and utilise specific skills which have added a different dimension to the commercial thinking of the ADMs, new and positive relationships with Council and other public sector services and the potential to work more closely with private sector partners in the pursuance of improved outcomes.

2.14 Conclusion

The main conclusions from the strategic case are that the ADM is the strategic preferred option because;

- It is in tune with Council priorities and will still allow Monmouthshire some ownership and influence over future direction.
- It will set the best financial conditions for the Services, enable teams to thrive and grow and continue to provide locally delivered services by our trusted workforce.

- It will ensure a commercial drive which continues to return money either back to improve services or to reduce Council subsidy, both being as equally important.
- It will provide a sustainable footing for non-statutory high value services that prevent ill health and promote wellbeing taking demand from critical Council services.
- The Services will retain a local distinctiveness.
- It aligns with the values of Future Monmouthshire and key partners.
- There is a significant funding shortfall for TLCY Services which is anticipated to increase to 667k by 2020/21 (table 7)
- The assets are suffering from a lack of investment and have a maintenance backlog valued at £4.4m (paragraph 2.5)
 - Monmouthshire has a lack of capital capacity in order to invest in TLCY assets (paragraph 2.5)
- A new model offers access to funding; savings and commercial opportunities (paragraph 2.10 and 2.11 and appendix E)



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3. Economic Case

3.1 Introduction

The Strategic Case has demonstrated that there is an opportunity to review the model for the delivery of TLCY services which could help the Council deliver its objectives under the Future Monmouthshire transformational programme.

The purpose of the Economic Case is to select a preferred option for future delivery of TLCY Services. This assessment will be informed by:

- The qualitative fit of these options compared against the Council's transformation objectives.
- A cost-benefit analysis of the preferred option to demonstrating value for money.

3.2 Delivery Models

The SOC dated October 2016 identified an initial list of four strategic options for appraisal. Since the SOC was presented, no new options have been identified or considered by the Project Team except to separate out outsourcing into private sector and a not for profit trust. The table below provides a summary description of each option.

Table 8 - Delivery Options

Option	Description
Doing Nothing	Under the Doing Nothing option, the existing arrangements would remain the same. The Council would continue to provide the services as part of its current remit.
Transforming the Service in House	Under this option, 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.
Moving the Services into an Alternative Delivery Model	Under this option, a group structure would be established to 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 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.
Outsourcing the Services to a Third Party	Under this option, the services would be outsourced to a private sector operator or not for profit trust . This would be in the form of a management contract for the services and the Council would pay a set charge to the operator. How these services are delivered would be set by the terms and conditions of the negotiated contract.

3.3 Advantages and Disadvantages of the Options

3.3.1 Option 2 – Transform in House

Advantages of transforming in House:

- The Council will have direct control over the strategic direction of the services.
- It is unlikely there would be any political or reputational impact resulting from changing the way the service operates.
- May result in further savings/income generation.
- The Council is experienced at delivering local services, although there will be changes arising from the full service review that can be managed within existing processes.
- Some investment may be possible from the Council to underpin the development of new models.

Disadvantages of transforming in House:

- The savings generated through a service review are unlikely to meet the savings target in full given reductions in budgets that have already been experienced. This will likely require service reductions to meet any shortfall.
- There would be an inability to adapt to future spending pressures.
- Limited opportunity to improve the commercial offer and deliver an enhanced service due to funding constraints.
- Increased probability of reduced opening hours or price increases given the budgetary pressures.
- Charging (with some exceptions e.g. leisure) is unlikely to be popular with Monmouthshire residents.
- The small population (92,000) would have to provide the Council with approximately £9 - £17 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 looks politically and practically unrealistic.
- A shortfall in meeting the savings requirements may result in service reductions and consequent staff reductions. The lack of long term stability will impact 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.

- Working within the existing confines of the Services and Council operations could mean that the level of service improvement is inhibited when compared with other models.
- 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 reduces the range of potential ways in which services might be developed and delivered in future.

- Limited access to further or private sector funding.

3.3.2 Option 3 - Establish the ADM

Advantages of a new ADM:

- Would operate in a less restricted environment than the Council.
- Would be able to establish more effective decision-making processes to respond to the dynamic environment in which it will operate, thus maximising opportunities to generate higher levels of income and meet the needs of the local community.
- A new ADM board and its employees would be specifically focussed on the delivery of TLCY services in the Monmouthshire and would come with excellent knowledge of the services and current business operations.
- If established as a charitable entity the ADM would be able to optimise NDR, VAT and tax benefits thus maximising resources for delivering services.
- There would be an opportunity for increased community involvement through representation on a new ADM board, targeting individuals who are not only committed to improving health and wellbeing in the area but also who have specialist skills and expertise to add real value to the alternative delivery model. Key skills would include finance, property, human resources, health and education.
 - There would be an opportunity for the Council to be represented on the Charitable Board of the ADM of up to 20%. Members could be represented on the boards of the Teckal company and trading company (both wholly owned by MCC).
 - Staff would be empowered through their ability to have a greater role in the management and strategic direction of the ADM, operating with commercial management whilst retaining social objectives.
 - The Council would be the commissioner of the service and would retain strategic control defining the strategic objectives and outputs for a new ADM and monitoring its delivery of those outcomes.
 - A new ADM could be developed for future expansion into the operation of other facilities and services on behalf of Monmouthshire and/or services on behalf of other local authorities.
 - A new ADM would be able to access sources of borrowing and funding created specifically for not for profit distributing organisations including those that are charitable.
 - Surpluses generated by the ADM would be ring-fenced for reinvestment in TLCY services, the details of which would be controlled through a management agreement.
 - Opportunities to maximise gift aid as a charitable organisation.
 - Low risk option with many local authorities having a proven track record in delivering high quality and affordable leisure services.

- There is the opportunity to fix funding (this could be on a reducing basis) for agreed period, with an opportunity to re-negotiate funding at agreed intervals in the annual service planning to continuously prioritise the services to the needs of the local community. This gives cost certainty to both parties and will deliver better outcomes.
- Corporate support services currently provided by the Council to TLCY services could be reduced creating further savings to Monmouthshire or generate an additional surplus for the ADM to re-invest in services or increase its reserve for future sustainability. Some services may be purchased through a service level agreement/contract. However, where support services are substantially associated with the service these individuals could be TUPE transferred to the new ADM.

Disadvantages of a new ADM

- The Council would retain strategic control through a management agreement and limited representation on the Board but would no longer be directly responsible for the day to day delivery of the service.
- There would be set-up costs attributed to the formation of the ADM i.e. establishing a management/administration base, establishment of a trading reserve associated professional fees and potentially additional staff costs, e.g. a Commercial Director, as well as marketing and rebranding costs.
- Support services could be purchased from other providers, although staff significantly attributed to the TLCY services would TUPE transfer and the remaining elements would need to be identified and budgets transferred.
- An ADM would be considered as a single entity organisation and as such could be more susceptible to peaks and troughs in its operation.

3.3.3 Option 4a - Private Operator

A private operator would need to be commissioned through an OJEU open market procurement process. The advantages and disadvantages are highlighted as follows;

Advantages of a Private Operator:

- Access to external investment is relatively quick and surmountable, although this is generally more costly compared to local authority access to funding.
- Access to leisure industry expertise and a commercial focus to improve income generation and cut costs.
- Potentially offers the highest level of financial savings.

Disadvantages of a Private Operator:

- There is a cost implication for the Council of a full OJEU tendering process, research has shown that procurement costs account for 1.4% of the contract volumes with 25% of this falling directly upon the Council.
- There is an ongoing cost of contract management and for a contract of this size it is anticipated to be equate to the cost of 1.5FTE of staff along with associated management costs and overheads

- Levels of customer utilisation within Monmouthshire's TLCY service is operating at a high standard which may restrict the amount of interest from private sector operators.
- Planned changes by Welsh Government to the mandatory adoption of the Workforce Code of Conduct could significantly affect the level of private sector operator interest. This proposed change would prevent a two-tier workforce being established by a commercial operator and it is likely this would be reflected in an increased percentage of management fees.
- A private sector operator would have an existing central support service and therefore there would be a risk of redundancy for staff in support services.
- A private sector operator is likely to be put off by the pensions risk and the rising deficit within the LGPS.
- A private sector operator will want to harmonise the terms and conditions of its workforce which would affect all staff who transferred to the operator.
- Profits would be made by a private sector operator and likely to be paid as dividends to shareholders rather than re-investing in Monmouthshire's TLCY services and facilities.
- Market analysis had demonstrated that in major outsourced contracts, any service add-ons to meet new demands or eventualities become progressively more expensive as Authorities had to negotiate add-ons that were not in the specification
- A private sector operator may have a reduced interest in the long-term investment due to the contract duration and ability to obtain a return on investment. It is unlikely to invest in a short term project and would seek to maximise returns by cutting costs and stripping assets.
- A private sector operator may not wish to host significant events within the area due to having a commercial focus and not wanting to remove its sight of operational margin.

3.3.4 Option 4b - Existing Not for Profit Organisation (NPDO)

The advantages of commissioning an existing NPDO would be similar to the establishment of a new NPDO, however, an existing NPDO would need to be commissioned through an OJEU open market procurement process. There are differences between the options of establishing a new NPDO and commissioning an existing NPDO which are highlighted as follows;

Advantages of an Existing NPDO:

- An existing NPDO would operate in a less restricted environment than the Council and its existing decision-making process would allow enable them to respond to the dynamic environment in which it will operate, thus maximising opportunities to generate higher levels of income.
- An existing NPDO would have an established senior management structure therefore set-up costs would be less than a new NPDO, for example, no need to create a reserve for the organisation.
- An existing NPDO could have a broader base of business with a proven track record of delivery of other local authorities' sport and leisure provision.

- Some existing NPDO's would have proven track records along with established policies and procedures.
- If established as a charitable entity a new NPDO would be able to optimise NNDR, VAT and tax benefits thus maximising resources for delivering services.
- Opportunities to maximise gift aid as a charitable organisation.
- An existing NPDO could be able to quickly access sources of borrowing and funding created specifically for not for profit distributing organisations including those that are charitable. However, this may be more costly than borrowing through the Council.
- Opportunity to fix funding (on a reducing basis) for agreed period, with an opportunity to re-negotiate funding at agreed intervals in the annual service plan to continuously prioritise the services to the needs of the local community. This gives cost certainty to both parties and will deliver better outcomes.
- Employees could have increased career progression opportunities as part of a larger organisation.

Disadvantages of an Existing NPDO:

- An existing NPDO would already have a board of trustees and there would be no interest for the local community or representation from Monmouthshire Members on the main board. A local advisory board could be established but it would have no legal status and financial and operational decisions would be made by the existing NPDO's board of trustees.
- An existing NPDO cannot be established or directly procured to undertake the management of Sport and Leisure services. An open competitive procurement exercise would need to be undertaken with both NPDOs and private operators being able to submit proposals.
- Longer timescales to procure an existing NPDO operator leading to delayed MTFP savings and significant delays in achieving such savings.
- An existing NPDO would have a centralised support service and therefore staff associated with the in-scope services would need to be identified and savings made accordingly. There would be job reductions within the local area as operations would be centralised elsewhere in the country. However, this could in turn provide further savings.
- The NPDO will want to harmonise the terms and conditions of its workforce which would affect all staff who transferred to the operator.
- Surpluses made by an existing NPDO may be invested outside of Monmouthshire. There would be no legal obligation to reinvest all surpluses and savings within the Area.
- An existing NPDO may utilise TUPE transferring employees to improve and enhance existing and/or future contracts elsewhere, which could potentially reduce the number of employees working solely in Monmouthshire and could lead to reduced service standards.
- Commissioning an existing NPDO may in time result in the services in Monmouthshire receiving less management attention if another contract becomes a higher profile, and requires greater investment of management time and resource.

3.4 Qualitative Evaluation Criteria

The preferred option for delivery is required to be aligned to the Council's objectives. These objectives were used as the basis to form the qualitative criteria to assess each delivery option.

Table 9 - Qualitative Evaluation Criteria

Title	Objectives
Quality	The option will deliver the set quality standard agreed with stakeholders and has the ability to adapt and improve over time.
Operational Efficiencies	The option presents a clear opportunity for driving operational efficiencies through expertise of management, economies of scale and a commercial outlook.
Commerciality	The option provides enhanced long-term commercial viability for Culture and Leisure assets, based on skill sets, experience and sectorial understanding.
Community	The option provides opportunities to engage with and benefit the wider community.
Accountability and Governance	The option provides the Council and community with a degree of transparency, flexibility and comfort over the ongoing delivery of the services and the council's interest in the services.
Resources and Investment	The option provides for the effective utilisation of resources and investment to allow for the successful delivery of the services in sustainable manner. This included staff and managerial resources working together to realise the governing organisations goals and objectives.
Reputation & Political Considerations	The option is unlikely to present materially substantial objections from the Council's stakeholders.
Risk Management	The option provides opportunity to manage the relevant risks associated to service delivery.
Education	The option provides 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	The option supports an active and healthy Monmouthshire and a healthy lifestyle through the participation in physical activity, offers support to those most vulnerable NEET 16-24 year olds in order to sustain education, employment or training and reduce the potential for youth unemployment.
Supporting Enterprise, Entrepreneurship and job creation	This option raises the profile of Monmouthshire regionally, nationally and internationally with a view to increasing visitor spend and extending the visitor season. It seeks to create links with local businesses to provide opportunities to buy and sell services
Maintaining locally accessible services	Providing a full range of leisure services in Monmouthshire towns. Investing in buildings and green infrastructure to create quality spaces that will attract greater visitor numbers and improve financial viability.

Source: The criteria referenced above are contained within Appendix G

3.5 Delivery options assessment

3.5.1 Assessment criteria

Each of the four options has been assessed against the criteria described above. To capture the importance of each option to the Council, these options have been weighted and this is set out below.

Table 10 - Criteria Weighting

Option	Weighting (%)
Quality	20
Operational Efficiencies	15
Commerciality	15
Community	10
Accountability and Governance	5
Resources and Investment	5
Reputation & Political Considerations	5
Risk Management	5
Education	5
Protecting Vulnerable People	5
Supporting Enterprise, Entrepreneurship and job creation	5
Maintaining locally accessible services	5
Total	100

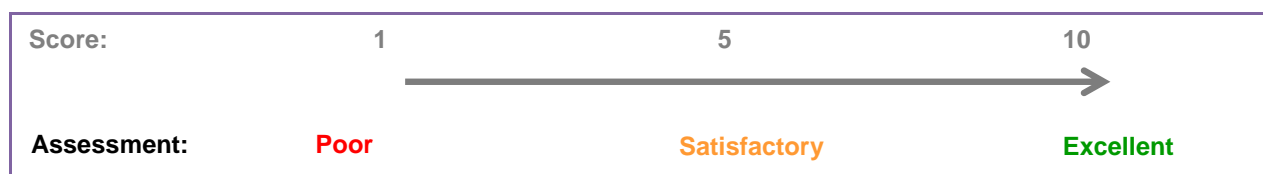
Source – Project Team

The weightings were agreed by the Project Team prior to the evaluation workshops.

3.5.2 Scoring Range

The options were scored against the criteria using the following scoring scale:

Figure 4 - Scoring Criteria



3.5.3 Appraisal Method

The options appraisal was undertaken by the Project Team at workshops in November and December 2016. The attendees had representation from across the following Council services:

- Staff from leisure, outdoor learning, youth and countryside services
- Members of the Future Monmouthshire Team and MCC Officers
- Senior Leadership team including Finance and Property
- Elected Members

The scoring was completed in groups, with a full group discussion on each criteria across the 4 options, with a consensus score being taken. A detailed summary of this workshop is provided in Appendix F and G.

3.5.4 Delivery options evaluation summary

The table below summarises the assessment of the four options against the qualitative criteria. It shows that the highest scoring delivery option is to establish a new organisation.

Table 1 - Qualitative Assessment Summary

		Option A	Option B	Option C	Option D
Title	Weigh- ting %	Doing Nothing	Transform Service in House	Moving the Services into an ADM	Outsource to a Third Party
Quality	20	2.2	5.0	8.0	4.6
Operational Efficiencies	15	1.8	4.8	8.2	5.8
Commerciality	15	1.4	3.8	7.4	4.2
Community	10	2.6	6.0	7.8	3.2
Accountability and Governance	5	6.2	6.6	6.2	4.6
Resources and Investment	5	2.0	4.6	7.6	4.2
Reputation & Political Considerations	5	3.6	6.2	7.2	4.2
Risk Management	5	2.6	5.0	6.2	3.8
Education	5	3.6	6.0	8.0	4.0
Protection of vulnerable People	5	3.8	7.0	8.0	3.6
Supporting Enterprise	5	2.6	5.2	7.2	4.2
Maintaining Locally Accessible Services	5	2.6	5.8	7.6	3.0
Total score	100	35.0	66.0	89.4	49.4
Ranking		4	2	1	3

The preferred option, the ADM, scored 89.4 being 23.4 marks higher than the next best placed option of transforming the service in house.

The preferred option is for the provision of Culture and Leisure Services to move to an Alternative Delivery Model. The key points of the appraisal were:

The scoring matrix and accompanying papers created good discussions with participants and enable in depth exploration of each option against the criteria set

The participants that completed the exercise are fully aware of Option 1 not being viable for the immediate or long term future

Discussions had demonstrated little appetite for Option 4 of outsourcing services to another provider and could create additional anxiety for staff on future security

Both Options 2 and 3 created the most discussion, with good reasons given that could warrant choosing either of these options. There is caution for option 2 in relation to sustainability in future years with continual reduced funding.

The summary of justification and commentary for these scores are set out in the table overleaf. For full details and analysis of the workshop, refer to Appendix F and G



3.5.5 Options appraisal workshop commentary highlights

Table 2 - Options Assessment Workshop Commentary

Criteria and Weighting	Option 1: Doing Nothing	Option 2: Transforming the Service in House	Option 3: Moving the Services into an Alternative Delivery Model	Option 4: Outsourcing Services to a Third Party
1. Quality (25%)	The current service was deemed to be high in quality, but lacked the ability to adapt going forward when faced with spending pressures.	The services would require significant review to continue delivery in house to the same quality, which would result in either reduction or investment Know business and structures already in place	The organisation would be set up with a set of measurable objectives. This would allow the Council to have a degree of control over the quality. The flexibility and strategic focus by the organisation could allow an improvement in quality.	The operational quality would be defined in the contractual arrangement. The private sector would have the ability to use different resources; however, as profit orientated, these might not benefit the end customer.
2. Operational Efficiencies (20%)	The Council currently has access to some economies of scale for items such as support services. However the Council may not have the ability or personnel across the services to drive efficiencies.	The Council currently has access to some economies of scale for items such as support services but there is acknowledgement that staff n of staff moral already low in driving efficiencies	This organisation would be able to buy in the expertise requirement to implement efficiencies. It would be able to continue to take advantage of the economies of scale available to the Council in areas such as support services.	As a private sector organisation, it would be able to implement efficiencies across the business. These efficiencies may not be passed over the Council.
3. Commerciality (20%)	Currently the Doing Nothing option is perceived as providing a commercially focussed service. Due to the size of the Council and competing priorities, it is unable to react to all opportunities. Ability to provide an enhanced service over time may be challenging.	Same as option1	The existing staff and expertise would build a strong foundation to the organisation. Able to supplement the team with the required expertise.	The private sector would not have the full sector knowledge required, however, it would be able to provide the commercial acumen and react quickly.

Criteria and Weighting	Option 1: Doing Nothing	Option 2: Transforming the Service in House	Option 3: Moving the Services into an Alternative Delivery Model	Option 4: Outsourcing Services to a Third Party
4. Community (10%)	Good opportunity to engage with the local community, but effectiveness varying across services.	Continued opportunity to engage with local community in a more cohesive approach; however would still reach the same cohort.	The outcomes were deemed to be similar to the current situation; however, there would an increased focus due to the specific remit of the organisation.	Engagement with the community would be limited to the contractual inputs which may be difficult to enforce during the contract.
5. Accountability and Governance (10%)	The Doing Nothing option allows for full transparency and accountability. Potential for issues in the future due to budget restraints.	As services staying in house continues to allow for full transparency and accountability	As it would be within the Council's group structure, there would be more visibility than the private sector options.	The level of interaction would rely on the contract which may be limiting.
6. Resources and Investment (5%)	There is an ability to move resources around and access capital. However, this may reduce as budget pressures increase going forward.	After transformation there is an ability to share resources and access capital. Services would do less well as cannot sustain current model.	There are efficiencies of using the structure which provide opportunities for re-investment. Downside is the Council will still need to fund the service deficit.	As part of a larger organisation, there is more ability to react and be flexible around resources.
7. Reputation & Political Considerations (5%)	There would be limited impact to the general public. Consequently no change might result in internal issues with staff as they expect change.	Limited impact as per option 1	A potential pressure from stakeholders as legal structure is not fully understood. More accepted position than the private contractors.	There is a negative perception of privatisation of services; therefore, this presents higher risk.
8. Risk Management (5%)	The public sector has control over the risks. Conversely, the risks would not be transferred to reduce the Council's exposure.	Same as option 1, the risk still ultimately rests with the public sector.	Same as option 1, the risk still ultimately rests with the public sector.	The private sector has the ability and depth to deal with the risks. However the Council loses control on how these risks are dealt with.

Criteria and Weighting	Option 1: Doing Nothing	Option 2: Transforming the Service in House	Option 3: Moving the Services into an Alternative Delivery Model	Option 4: Outsourcing Services to a Third Party
9. Education (5%)	Limited access to informal and formal learning opportunities for community members although	Transform in house will attempt to ensure learning programmes are available across venues and services. The services would maintain service position e.g. leisure, outdoor education, youth.	One of the key areas of ADM would be a learning and educational development. Some services more than others although all contribute to ensure that there is a coordinated approach.	This would depend on the company selected. The nature of services included does provide educational and learning opportunities however this may not be a priority.
10. Protecting Vulnerable People (5%)	The Council prioritises keeping people safe and is part of the All Wales Safeguarding policy. All policy and procedure would have this as a priority or service would be shut if this could not be guaranteed	The Council prioritises keeping people safe and is part of the All Wales Safeguarding policy – stays the same	The council prioritises keeping people safe so the ADM would need to agree the standards expected of the authority and comply. The Teckal services would be as existing MCC services now.	The contract between the Council and the company would need to be agreed and monitored strictly. This may provide additional cost and this monitoring and approach would need high levels of scrutiny.
11. Supporting Enterprise, Entrepreneurship and job creation (5%)	Whilst trying to do this it would be difficult where services are managing decline	Working with colleagues in Enterprise/MCC and business to promote a culture of growth.	Working with colleagues in Enterprise/MCC and business to promote a culture of growth and opportunity. The culture of permission and swift action is one of the major benefits of ADM models. Jobs could be created.	Depending on outsource many private companies have central solution and business models – there would a commercial angle ensure income and bottom line. Jobs could be created through investment and new target markets
12. Maintaining locally accessible services (5%)	Some services would be closed unless MTFP changed	Attempt to further transform services through restructure and prioritise service offer	Services in Teckal would continue to deliver local services – all services as per in house transformation would prioritise service offer run by local board	The service would be maintained depending on the contract. The option may involve a board making decisions from other a far.

Source: Options Appraisal Workshops

3.6 Analysis of Costs and Benefits

The outcome of the qualitative assessment of the options has highlighted a transfer to a new ADM as the preferred option. In this section an analysis of costs and savings has been undertaken for the options against the Doing Nothing option to consider the value for money of implementing the new delivery model. Costs and revenues are analysed further in the Financial Case.

3.6.1 Costs

The creation of the new ADM may result in additional running costs which will need to be taken into consideration when analysing against the base case. These costs may not necessarily be greater than the full back office and management costs of the services in-house and it is possible that the running costs could be less than the current overheads of the services in the Council at present. The costs are based on Anthony Collins' experience of other ADMs and Leisure Trusts and are described below.

Implementation Costs	
Option	Implications
Doing Nothing	No change
Transform in house	Potential redundancy costs
Move to a new ADM	One off costs of 175k for property condition surveys, professional advice (legal, VAT and taxation), accommodation, branding and marketing but excludes the cost of redundancies
Private Operator	One off costs of 295k for property condition surveys, professional advice (legal, VAT and taxation), provision of ICT network, accommodation, branding and marketing but excludes the cost of redundancies. There would be additional costs of tendering and complying with OJEU.

Support Service Costs	
Option	Implications
Doing Nothing	No change
Transform in house	No change
Move to a new ADM	TUPE transfer of staff and budgets. Any remaining services provided to the ADM would attract VAT so beneficial to the ADM to provide its own back office functions. Any specialist costs would need to be identified in the full business plan but would be expected as part of the culture of the ADM and would not involve any additional costs.
Private Operator	It is anticipated that the private operator would have an established support service and therefore staff employed within the corporate centre could be at risk of redundancy. Any changes or new requirements would be added onto the contract at an additional cost.

Management Fee & Profit Margins	
Option	Implications
Doing Nothing	None
Transform in house	None
Move to a new ADM	Slight improvement in the authority's partial exemption position. Improved trading position through operating the service in a more commercial manner. Profits would be retained within Monmouthshire and applied to service sustainability and improvement.
Private Operator	A management fee would be charges to the contract – typically in the region of between 7% and 9% of revenue costs, excluding profit margins of circa 5%. Dividends would need to be paid to shareholders. An existing not for profit organisation would have no requirement to reinvest surpluses into the portfolio of services.

Pensions	
Option	Implications
Doing Nothing	No change
Transform in house	No change
Move to a new ADM	Would apply for admitted body status in order to provide the continuation of the pension scheme under TUPE transfer. An actuarial valuation would be needed to attribute a deficit prior to transfer
Private Operator	Would apply for admitted body status in order to provide the continuation of the pension scheme under TUPE transfer. An actuarial valuation would be needed to attribute a deficit prior to transfer. The private provider may not be eligible for admitted body status and may be very cautious about taking on a pensions deficit.

Capital investment	
Option	Implications
Doing Nothing	No change – limited capital resources and reducing planned and reactive maintenance budget
Transform in house	No change – limited capital resources and reducing planned and reactive maintenance budget
Move to a new ADM	Property Condition surveys required. Surpluses will be reinvested. Funding and management agreement will determine capital budgets and maintenance budgets
Private Operator	It is not in the interest of the private operator to prolong the life or invest in the facilities beyond its contractual obligations

3.6.2 Benefits

The analysis considers two main areas of financial benefits – NNDR and VAT changes.

3.6.2.1 NNDR

The NNDR savings assume that part of the ADM will be made up of a registered charity and that the application for charitable status will be approved. The detailed NNDR savings are set out the financial case.

NNDR relief	
Option	Implications
Doing Nothing	No relief as NNDR costs would remain constant
Transform in house	No relief as NNDR costs would remain constant
Move to a new ADM	Part of the model would include a body with charitable status and could attract discretionary relief
Private Operator	A private operator would receive no NNDR relief but if they had a hybrid “trust” then they could potentially benefit from. A Charitable provider would benefit from NNDR relief.

3.6.2.2 VAT

It is expected that part of the ADM will have charitable status and consequently certain income it generates will be exempt for VAT purposes under the VAT Sporting Services and Culture Services exemptions, and this can provide VAT savings. The financial case details the approach to the calculation of VAT savings. More detailed guidance is contained within appendix J.

VAT relief	
Option	Implications
Doing Nothing	No relief
Transform in house	No relief
Move to a new ADM	There could be an improvement on current trading assuming sport and cultural supplies are exempt however this would be reduced significantly through the awarding of a grant to cover the service deficit.
Private Operator	A private operator would receive no VAT relief

3.6.2.3 Operational Efficiency Savings

As part of moving to an ADM model, there is the potential to realise a level of operational savings driven from either an increase in revenues and /or a reduction in costs. This is based on the track record of other similar organisations. However, these savings are not guaranteed and at this stage of the business case process, have not yet been developed. For the purpose of this analysis to ensure a prudent result, no efficiency savings have been factored into the analysis.

Improved Operational Income	
Option	Implications
Doing Nothing	No change
Transform in house	Scope for some small improvements by prioritising certain service areas over others
Move to a new ADM	Direct control and increased autonomy would improve operational income. Potential to tender for other local authority services
Private Operator	Increased income and efficiency savings would be taken by the private management contractor – staff could be redeployed into other contracts.

3.6.2.4 Additional local and national economic benefits

The final aspect to be considered is the local and national benefits arising from the change in the service delivery such as additional jobs and Gross Value Added (“GVA”) to the economy. This business case is based on the continued delivery of a set of services and accordingly we consider there to be no additional benefits between the options, in both terms of direct and indirect GVA to the economy. No adjustment is therefore made in respect of additional economic benefits.

3.7 The Preferred Option

The options appraisal concluded that the ADM is the preferred option which will take the form of a group company structure including a local authority controlled company, a charity and a trading company. This was the result of qualitative assessment agreed with representatives of Project Team. This qualitative result is supported by the financial analysis which yields a net financial benefit compared to the Doing Nothing option although is not the option that produces the most financial benefit. The key differences from the other options are noted as:

- The organisation having objectives which can be aligned to the Council.
- The organisation has a stronger ability to adapt to services requirements and customer feedback through the focus of the organisation.
- The Council maintains an element of visibility and governance over the organisation.

- The organisation has the ability to attract the correct skill sets to improve services going forward and potentially other sources of funding.
- There is a strong net benefit from the setup of the ADM, which could be reinvested into the services and/or off-setting the management charge paid by the Council.

It should be noted that the preferred option was selected based on the qualitative data and supported by some financial benefits, in other words, the NNDR savings. It has not taken into account potential operation efficiencies or the potential for increased commercial return.

3.8 The ADM

In the UK, a significant number of local authorities have developed ADM's or Charitable Trusts for the management of their leisure and/or culture services with the size, scale and detailed operation varying depending on each council's circumstances.

The majority of culture and leisure facilities require subsidy to a greater or lesser degree, so it is normal for local authorities to fund the operating deficit by way of a management charge which represents the cost of the ADM providing services on behalf of the Council. The Council retains control and ownership of the assets and, being the main funder, has continuing major influence over policy.

From an operational perspective, the ADM would deliver the services through the existing staff base that would transfer from the Council to the ADM under transfer on the basis of TUPE from the Council to the ADM.

3.9 Key Drivers

The key drivers for changing the current delivery model include:

- The ability to hire new skills and focus on the commerciality of the services available, allowing them to adapt and quality to improve going forward.
- The Council still maintains an element of oversight and the objectives are aligned to its objectives.
- The potential ability to use savings for reinvestment into the services and assets.
- The ability to generate new income streams or commercialise existing income streams to maximise income and offset against required savings.

3.10 Conclusion

The Conclusions for the Economic Case are as follows;

- The "do nothing" option was discounted in October 2014 as it does not meet the Council's objectives of delivering sustainable local services

The "transform in house" has not been selected as this option would not allow the full potential and opportunities to grow and develop these services

- Outsourcing has been discounted as there is the risk that certain services would not be seen as being a financially favourable option. However, it is widely recognised that larger

commercial organisations are able to offer large economies of scale for some services. It is often suggested that the private sector would be able to provide these services as a lower cost than the Council but in order to do this, it is likely that they would look reduce staffing costs, redefine changes staff terms and conditions and make changes to service delivery.

- The preferred delivery option for the services associated with the TLCY assets is through an ADM (table 9). The model is structured in 3 parts;
 - Charity – this offers financial savings; allows access to funding; is a not for profit organisations as is seen as “ non-commercial” – addresses council key concern
 - Teckal Company. – MCC would retains control over services but would allow some limited flexibility for commercial operation
 - Trading Company to take advantage of trading opportunities and reinvest profits back into the Charity through “gift aid”.
- The net benefit across a 25 year period was indicatively estimated at £1.888m in NPV terms
- The financial benefit is the result of NNDR savings against the additional costs of running the ADM. These savings are unlocked with the selection of a charitable part of the ADM as the preferred delivery option. Further VAT savings could be unlocked if the ADM was awarded a service contract as opposed to a grant agreement.
- Long term sustainability of the model should be a key priority and that if a model is established simply to reap only the NNDR benefits with no reinvestment into the facilities do not achieve long term development and sustainability.

4. Commercial Case

4.1 Introduction

The various options have been considered and it has been determined that a 'Teckal' Company, a Local Authority Trading Company and a Charity is the preferred option for the vehicle to provide the services to the Council. The options and advantages and disadvantages are set out in section 4.3 below. A number of different considerations regarding the future commercial and operating structure of the ADM have been considered and are being developed. The purpose of this section is to develop analysis regarding important commercial and operating considerations for the ADM.

The assessment will be informed by:

- A discussion regarding the ADM structure, governance and commercial arrangements
- A description of the issues related to the provision for support services and repairs and maintenance arrangements
- Regulatory and staffing arrangements

4.2 ADM Structure

4.2.1 Options

The key issues to consider on formation of the ADM are:

- The type of organisation to set up.
- The type of corporate structure to choose.
- Registration and ongoing regulation formalities.

There are a number of different options typically considered for ADM's. These are examined below and more detail is provided in Appendix H.

4.2.2 Option 1: Company limited by shares (CLS)

The ADM could include a CLS which is the most common type of private company and is a frequently used vehicle for 'Teckal' companies. CLSs have a 'share capital' which shareholders are obliged to contribute to and in return they can receive a share of the profits based upon their shareholding. The liability of shareholders' is limited to their value of their shareholding and Directors are also protected providing they act in accordance with their Directors' duties.

CLSs are regulated by Companies House and subject to the Company Act 2006 and associated regulations.

4.2.2.1 Advantages of a Company limited by shares

The benefits of this structure are considered to be:

- This structure has the least restrictions upon the use of assets or distribution of profits
- Provides the greatest flexibility in how the services can be provided.

- The 'Teckal' Company could operate so as to service most of the Council's needs and so would essentially be the 'internal' facing company;

4.2.2.2 Disadvantages of a Company limited by shares

However, there are disadvantages of this structure, such as:

- There is a restriction on 'Teckal' companies' ability to generate external income from other sources (limited to no more than 20% funding/income from other sources). This is known as the "state aid" test. More explanation of this is contained within appendix H.

4.2.3 Option 2: Company limited by guarantee (CLG)

A CLG does not have to be charitable, but it is the most common structure usually employed when creating a new charity. The key features of this structure include:

- It is incorporated under the Companies Act 2006 without issuing shares but instead the member guarantees a sum of money in the event of insolvency
- It gives the company, and its members, limited liability in respect of the debts and obligations of the company
- The directors have duties and responsibilities under the Companies Acts and additional duties as trustees once the company is a registered charity
- It is regulated by both the Companies Act and the Charity Commission. .

After incorporation, an application to Charity Commission will be made to obtain charitable status. Once the Charity is formed it would enter into a number of agreements with the Council including the Licences, the Service Agreement and the Support Services Agreement. The directors will have to comply with both the requirements of the Companies Act and Charity Commission.

4.2.3.1 Advantages of a Company limited by guarantee

The benefits of this structure are considered to be:

- Protection and familiarity of the Companies Act.
- Supported by clear and established legal precedents over the rights and obligations placed over the member of the board.
- CLGs are widely recognised and familiar to grant/funding providers and can provide great flexibility between operating at a profit and protecting the assets of the organisation.
- Will enable certain services to benefit from other charitable sources/donations 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.

4.2.3.2 Disadvantages of a Company limited by guarantee

However, there are disadvantages of this structure, such as:

- Separate registration is required under Companies Act and under Charity Commission requirements.
- Reporting requirements apply under both regulatory regimes.

4.2.4 Option 3: Community Interest Company (CIC) (limited by shares or guarantee Company limited by guarantee)

CICs are a type of company set up with a social purpose and that want to use their profits and assets for public good. CICs are companies which can be limited by shares or guarantee but the key difference is that the purpose of the company is to provide a benefit to the community rather than its shareholders, directors or employees.

4.2.4.1 Advantages of a Community Interest Company

The benefits of this structure are considered to be:

- Subject to an asset lock, to ensure that its assets and profits are never sold at an under value and are dedicated to community purposes.
- More flexible about who is on its Board and whether Board Members were paid for their role.

4.2.4.2 Disadvantages of a Company limited by guarantee

However, there are disadvantages of this structure, such as

- Cannot obtain charitable status

4.2.5 Option 2: Charitable Incorporated Organisation (CIO)

A CIO is a new legal form of charity available which was introduced in January 2013. As with a company limited by guarantee, the CIO is a corporate body and so can hold property and enter into contracts in its own name. The members of the CIO also have the benefit of limited liability.

The purpose of the CIO was to create a corporate model that is specifically tailored to the requirements of the charity sector and allows charities access to the benefit of limited liability whilst simplifying the regulatory framework. The key features of this structure include:

- OSCR is responsible for granting both charitable status and a corporate identity at the same time
- CIOs are governed solely by Charity legislation and not governed by the Companies Acts.

4.2.5.1 Advantages of a CIO

The benefits of a CIO when compared with a company limited by guarantee are considered to be:

- A simpler registration process in relation to charitable status and incorporation, as the Charity Commission grants charitable status and a corporate identity simultaneously.

- A simpler regulatory regime, as the reporting requirements are those that apply to charities and avoids reporting to both Companies House and the Charity Commission.
- The legal framework governing CIOs is simpler in comparison
- The duties of charity trustees have been simplified, so the trustees are only subject to the requirements of charities legislation.

4.2.5.2 Disadvantages of a CIO

However, there are disadvantages of a CIO structure, such as:

- A key downside of the CIO is that it is not incorporated under the Companies Act and therefore is not afforded the same legislative protection. Similarly, the CIO is a new structure and the processes required for certain circumstances may not have precedent to rely upon.
- A CIO must have at least two members, which differs from the company structure, which only requires a sole member. In practice, this means the Council will need to set up a nominee company to constitute the second member. The CIO's constitution can be drafted so that the Council has the sole power to appoint the board. Additional administration would be required to set up a nominee company but, thereafter, the ongoing administration should be minimal as the nominee company would not be active.
- The application to register a CIO must be made by at least two individuals and not corporate bodies. The Council, and the nominee company, would be admitted as members at a later point. This can be accommodated by having provisions in the Charity constitution, stating that as soon as the Council and the nominee company are admitted as members, the two initial individual members cease to be members.
- A CIO is unable to grant a floating charge security over its assets. CIOs are, however, able to grant fixed charges securities over assets, such as land or buildings, similar to a company. Typically, this is not a problem as all the Charity's major assets would be owned by the council and leased to the Charity.

4.2.6 Charitable Trading Subsidiary

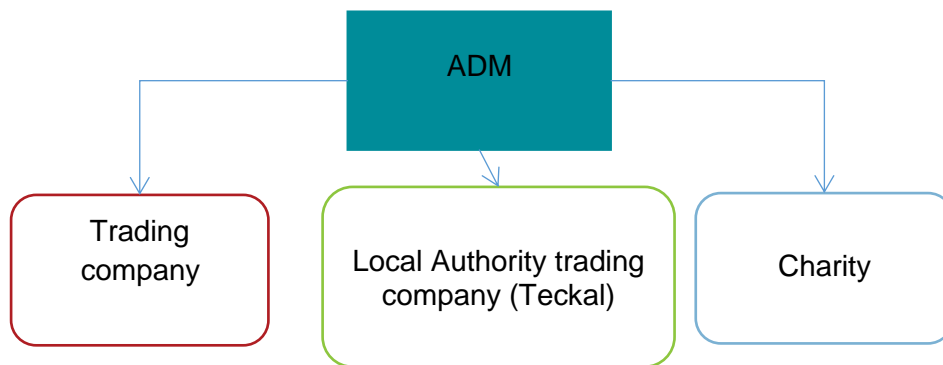
Irrespective of which option is chosen, it is anticipated that the Charity arm of the ADM will require a Charitable Trading Subsidiary to undertake all non-primary purpose activities. These include all activities that do not fall squarely within the charitable objectives of the organisation (e.g. bar, café and rental of business spaces).

4.2.7 Summary

The review undertaken by Anthony Collins has recommended that the best option would be to establish a group structure comprising of a local authority 'Teckal' company, a separate trading company and a separate charity. The structure offers the protection and familiarity of the Companies Act, supported by clear and established legal precedents over the rights and obligations placed on the members of the Board.

An organisational structure that adopts this approach is defined in the following diagram. This is the model that is proposed in terms of this outline business case.

Figure 5 ADM Recommended Structure



4.3 Procurement Requirements

The law with regard to EU procurement, and its application to the proposed structure, is complex. One of the more significant areas of concern will be the Council's ability to demonstrate that it is complying with its procurement obligations.

4.3.1 Distinction between Grant Agreement and Services Contract

Historically, different approaches have been taken in relation to this area and indeed different approaches are likely to be taken in the future within the context of the Public Contracts Regulations 2015 (the "Regulations"). In other similar projects, councils have started with an assessment of whether:

- It will award a grant to the new ADM, which is not subject to procurement requirements. However, it is essential to ensure that it is a grant arrangement and not a de facto service contract, called by a different name;
- It will award a contract for services to the new ADM, which will need to comply with the requirements of the Regulations and the Council's own constitutional requirements.

If making a grant agreement, then the Regulations do not apply but MCC need to consider whether:

- To award the grant with specified outcomes rather than having more detailed service specifications and KPIs as would be the case with a services contract;
- Breach and withdrawal, clawback or repayment of the grant is an appropriate mechanism or whether MCC would prefer to adopt a more detailed price performance mechanism that it would enforce through the services contract;
- VAT and Gift Aid implications need to be factored into the decision. VAT is not payable on a grant and it may also be eligible for Gift Aid. However, a services contract could not attract Gift Aid and would of course be subject to VAT. Advice has been sought by tax advisors.
- The key note of caution here is that you cannot dress one up as the other, as there are likely to be adverse consequences of doing so if the approach is challenged and/or has to be

remedied at a future date. Any decision will always look at the substance of the arrangements rather than at what the parties have chosen to call it.

4.3.2 The Regulations and Preferred Procurement routes

As the Council is a contracting authority and subject to EU and national procurement law, a contract of that nature would usually require to be advertised in the Official Journal of the European Union and an open and transparent tendering process to be followed.

MCC will need to ensure that it complies with the requirements of the new Regulations which are a consolidation of existing procurement law, including case law. One of the key changes the Regulations make is the removal of the distinction between Part A and Part B services. This means that contracting authorities can no longer grant an uncontested contract for services worth over 750,000 euros (approximately £625,050) to spin-outs, although a 'light touch' regime has been proposed for 'health, social and other service' contracts with a value greater than this threshold.

The most relevant potential procurement options open to the Council are therefore to;

- **Option A** - Form a Local Authority Trading Company (LATCO) as a Company Limited by Guarantee or Shares (though note this vehicle could not have charitable status because of issues with it being independent of the state). There would not be a requirement to undergo a procurement exercise, if the Council ensured compliance with the requirements of Regulation 12 of the Regulations (otherwise known as the 'Teckal' exemption which has now been codified in the new Regulations);
- **Option B** - Procure the services in accordance with the new "light touch regime";
- **Option C** - Run a limited "public service mission organisation" competition, also referred to as a "social enterprise" competition; or
- **Option D** - Consider whether MCC would like to procure a partner to help leverage in some additional expertise or investment. If it were to pursue this route it may need to consider, what, impact this may have on its charitable status, depending upon what type and level of expertise and investment is secured. This would also need to be in accordance with any requirements set out in the company's constitutional and governance documents.

4.3.2.1 Option A: Teckal Compliant LATCO

A public authority can procure directly from a Teckal compliant company without going through the European OJEU process. A Teckal compliant company is one that:

- Is managed so that the local authority exercises control which is similar to that which it exercises over its own departments
- Carries out at least 80% its activities for the controlling local authority
- Has no private financial involvement in its ownership.

4.3.2.2 Option B: Light Touch Regime – Regulation 74

The new light touch regime applies to contracts valued at over 750k euros (£625k) over the life of the contract for services covered by Schedule 3 of the Regulations. Schedule 3 includes youth and social services, educational and cultural services

Although greater flexibility in the process is introduced, MCC will have to comply with the EU General Treaty principles of transparency and equal treatment. This means that there can be no favouritism or bias and all bidders must know the rules of the process. To this extent the fundamental principles of the process has not changed, though note the increased possibilities for taking into account the “relevant considerations” detailed below. MCC should consider how it can best incorporate those elements into any procurement process that it may follow.

MCC must set out in the Notice the conditions for participating, the time limits that apply and a brief description of the main features of the award procedure. Regulations allow MCC to determine the procedures to be applied in connection with the award of contracts, taking into account the nature of the services being procured but there must be;

- Compliance with the principles of transparency and equal treatment of bidders.
- The procedure must be conducted in accordance with the published conditions for participation, time limits for applying and the award procedure to be applied.

The regulations would allow MCC to make changes to the procedure during the process provided it has considered carefully that the changes do not breach the principles of transparency and equal treatment, that due and adequate notice has been given to all of the change (all bidders who responded to the notice even if not shortlisted) and it has adequately recorded the reasons for change and that those records are maintained. All time limits imposed in the process must be proportionate and reasonable.

MCC can still follow the traditional routes of, for example a restricted or open procedure, though this should not be the default position or there would be little benefit in having these additional flexibilities. Equally, MCC may introduce different procedures consistent with the regulation requirements to take into account relevant considerations, including:

- The need to ensure quality, continuity, accessibility, affordability and comprehensiveness of the services;
- The specific needs of different categories of users, including disadvantaged and vulnerable groups;
- The involvement and empowerment of users; and
- Innovation.

These are the areas where the more innovative and community focused aspects could be factored in as part of the procurement process. Whatever the process, having clear objectives and implementing them in a transparent and non-discriminatory way will be key.

The Regulations also require the same debrief for most forms of procurement, including under the Light Touch Regime. There is now therefore a stricter requirement to provide comprehensive feedback at the end of a procurement process under the Light Touch Regime.

Whatever procurement process is followed, there is a further requirement for MCC to prepare a procurement report which documents progress of the procurement. MCC must keep sufficient documentation to justify decisions taken at all stages of the process, including the decisions to depart from the procedures originally set out.

MCC continues to have public law duties, including to act reasonably and to ensure that it runs a process that meets the actual cost of delivering services. Therefore, the new flexibilities not only need to comply with the Regulations themselves but also with wider public law duties

4.3.2.3 Option C: Public Service Mission Procurement

MCC can run a limited “public service mission” competition for the Services. The use of this process would be dictated by whether MCC is prepared to consider, and wants to encourage, vehicles focussed on “public service mission” and based on “participatory principles”. MCC has a duty to promote the development, in their area, of not for private profit organisations such as social enterprises, co-operatives, user led organisations, and the third sector to provide care and support.

A final check would need to be completed to ensure that all services in scope fall within the permissible services that can follow this procedure. This process is the result of the Cabinet Office campaigning for the EU to include a restricted-competition procedure in the new directive, in order to acknowledge the difficulties that new public sector mutual face and it has now been reflected in Regulation 77 of the Regulations. The procedure effectively allows contracts to be reserved to competition amongst “qualifying organisation(s)” that satisfy the following conditions:-

- Its objective is the pursuit of a public service mission linked to the delivery of the services referred to in Part 2 (i.e. cultural services);
- Profits are reinvested with a view to achieving the organisation’s objective. Where profits are distributed or redistributed, this should be based on participatory considerations;
- The structures of management or ownership of the organisation performing the contract are (or will be if and when it performs the contract) based on employee ownership or participatory principles, or require the active participation of employees, users or stakeholders; and
- The organisation has not been awarded, pursuant to this regulation [i.e. utilising the limited competition procedure], a contract for the services concerned by the contracting authority concerned within the past three years.

The maximum contract awarded under this Regulation cannot be longer than 3 years, so this will also need to be factored in to any decision made. Although this may not be the length of contract that MCC would like to award initially, it would give the ADM the opportunity to ‘bed-in’ and potentially set up a partnership (if they wanted to do so) to begin winning contracts. The expectation would be that the ADMs would then be ready to compete on the open market after 3 years. Other social enterprises bidding could be selected as collaborators with the ADM if that is something that would increase the service provision opportunities.

The ADMs could satisfy these conditions if it set up a CIC limited by shares or a charitable CBS provided that these principles are properly enshrined in its constitutional documents. The articles of association would need to be drafted with an eye to the future to ensure that they are able to meet these requirements, if the ADMs wants to be eligible to participate in these sorts of procurements in the future.

4.3.2.4 Option D: Procurement of a Partner

If MCC wanted to leverage in greater external investment or expertise, MCC could undertake a joint procurement exercise with the ADM to choose a partner with which to run the Services. The difficulty with this option is that MCC would not be able to make it a condition of the contract award that the winning bidder or 'partner' awarded the contract to the ADM (this is the rule that a contracting authority cannot nominate a sub-contractor). MCC and the ADMs would also need to decide what services they would be procuring from the partner.

One way that this might be achieved is to advertise for a partner organisation and require it to state how the public service mutual would fit within the proposals to run the Services. For example, the procurement could be for a partner organisation to assist the ADM to reconfigure the Services through working directly with staff. That does leave the outcome in the hands of the marketplace. However, to ensure that an appropriate partnership model was put forward, the tender documents could refer to the type of model that MCC/ADM would want to see in place. This sort of process is likely to be more complex and have longer timescales.

4.3.2.5 Recommendation

The Anthony Collins recommended structure would not need to comply with procurement regulations as the Council can award contracts directly to its wholly owned Teckal company and can provide a grant to the charitable organisation to provide services. Further discussions would need to be undertaken to determine what approach the Council would want to undertake.

4.4 Governance

The governance and accountability for those arrangements need to ensure that safe, sustainable services will continue to be provided to its communities and services users. Also, that any new organisations continue to be accountable to the Council and its communities for the provision of those Services and ultimately in assisting the Council to discharge its statutory duties. The required assurances and protections can be embedded in a number of ways, mainly:

- Through an effective governance architecture for the new ADMs;
- Through MCC's governance arrangements that it puts in place to enable it to continue to have a role as both facilitator and potential strategic partner to the ADMs; and
- Through the legal contractual arrangements that the Council may put in place in respect of the provision of the Services.

A legal structure alone may not be enough to deliver the changed ethos and culture that such a radical transformation within the ADM may require. This may instead need to be embedded at the heart of how the ADM conducts itself and how it remains accountable through its governance arrangements.

4.4.1 Wider Governance

In respect of wider governance considerations, the Council will need to evaluate the range of stakeholders it wishes to engage in the Services and the means in which it will do so, whether through formal ownership of the new ADMs or through providing them with an effective voice and rights enshrined within the ADM's constitutional documents, primarily through its Articles of

Association and establishing some form of multi-constituent rights for the various stakeholders involved.

The focus on staff or community involvement may dictate whether there would be representatives of those groups appointed to the Board of Directors of the ADMs or whether they would be involved in less formal capacities such as holding regular staff and community forum meetings. There is a fine balance to be struck between ensuring that the governance is fit for purpose and appropriately inclusive, without making it unwieldy or impeding the ability of the Board to get on and make decisions about the Business. This is also true for the degree of ownership and control that MCC may wish to continue to have in relation to these Services.

4.4.2 ADM Boards

It will be vital to get a Board which has the right skills to be able to deliver the aims and objectives of the ADMs and ultimately, the business plans. This will require the injection of new entrepreneurial skills to;

- Spot the opportunities available and to take advantage of them
- Have change management skills – to help staff manage the transition from in-house provision to life in a new ADM.

When considering the Board for the ADMs, thought should also be had as to the number of executive and non-executive directors to be appointed to the Board and the important role that non-executive directors play in holding the Board to account.

The Council will need to demonstrate compliance with “The Good Governance Standard for Public Services” which focuses on the six core principles of good governance, which means:

- Focussing on the organisation’s purpose and on outcomes for citizens and service users;
- Performing effectively in clearly defined functions and roles;
- Promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- Taking informed, transparent decisions and managing risk;
- Developing the capacity and capability of the governing body to be effective; and
- Engaging stakeholders and making accountability real

MCC will need to consider how it would structure its ‘shareholder’ panel so as to effectively carry out its role as a shareholder in the ‘Teckal’ vehicle, compared to its role as a commissioner, or retained “client side” function.

Thought will need to be given to the Shareholder Agreement which will need to be put in place to govern the relationship between MCC and the Board of the ADM, including assessing the potential for conflicts and how they may be addressed.

Therefore, as the ADMs moves from outline business case to full business case it will be necessary to spend more time assessing and evaluating the most effective governance structure.

It is important not to underestimate the culture-shift that is necessary to successfully move from work practices where funding for work has generally been a 'given' to a more competitive environment. However, the transition will also provide opportunities for innovation, creativity and for doing things differently.

4.4.3 Council Governance Function and its Role as a Facilitator and Strategic Partner:

MCC will need to give careful consideration of the amount of ownership and/or control it wants to have in relation to the new ADM. This is also dictated by overarching requirements e.g. the ability of the charity to be able to demonstrate its independence from the state. This will include consideration of what may be appropriate for Council representation on the new ADM, whether at Board level or otherwise and as indicated above, the terms and remit of any shareholders agreement entered into if MCC will continue to have some ownership in the ADM.

The ADM will involve a charity, and MCC will not be able to enjoy the same levels of control or board involvement that it may have in the 'Teckal' compliant company. The approach will need to be different for the various companies within the ADM.

MCC will continue to have a vested interest in the ADM's continued success but would need to see its role as one of a facilitator, collaborator and strategic partner, particularly in relation to any on-going grant funding arrangements or service contracts and the general way in which MCC and the new ADM will continue to work together. It would be helpful to reflect this in a form of **Collaboration Agreement** which will detail how MCC and the ADM will work together to deliver their aspirations for these Services and the communities which they serve.

There are a whole range of safeguards and monitoring and reporting requirements that that MCC can put in place in its contractual arrangements with the new ADM.

4.4.4 Management, Staff and Governance

Staff would transfer with their existing terms and conditions of employment under the Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE). The ADM will also apply to be admitted to the Greater Gwent Pension Fund. All other local authorities who have set up a Trust / ADM have been successfully admitted previously.

A Board, Chief Executive Officer and Management Team will be need to be appointed and tasked with guiding the ADM through its early years, ensuring that the transferred services are maximised for the benefit of the general public in the Monmouthshire County Council area – opening these services up to those not only geographically situated in Monmouthshire, but also to those visiting.

It is proposed that the Council will initially continue to provide some core back office support to the ADM on its establishment. These services will be subject to negotiation and the ADM will be free to source these services from elsewhere.

The ADM will be run as a wholly separate entity from the Council with its own governance and board structure. The Council will need to determine the treatment of assets but it is anticipated that the Council will retain ownership of the assets that transfer to the ADM. The management of these services will transfer from the Council to the ADM.

4.5 Council and Charity Commercial Arrangements

The relationship between the Council and the ADM will have its basis through a number of contractual documents:

The contracts between the ADM and the Council would need to be developed to set out a range of roles and responsibilities of the parties. A summary of the key components of these likely contracts are as follows:

- Transfer of control over the facilities and equipment from the Council to the ADM;
- Requiring the ADM to provide the services in exchange for payments;
- Protection for Council employees transferring to the ADM in relation to their employment terms and conditions and pensions;
- Reporting and governance mechanisms ensuring proper public funding accountability while supporting and encouraging the ADM's purposes as a charity and the flexibility in delivery and development it can bring; and reflects good practice.

The structure of the contractual arrangement is likely to be as follows:-

- The Transfer Agreement should set out the details for the transfer of the business from the Council to the ADM and includes the provisions for the staff transfer, licencing of premises and assets. The ADM will employ all of the Council's staff who currently work within the services in the scope of this project and will transfer by operation of the Transfer of Undertakings Regulations. The ADM may be granted a licence to occupy all of the buildings it needs to provide the services as set out in Appendix D. The Council may retain responsibility for some elements of the maintenance of the buildings. The ADM may also be granted a licence to use all of the Council assets to provide the services, for example sports equipment or to hold events on other Council land.
- The Services Agreement will set out the services which the ADM will require to provide as detailed in the Strategic Case. This will set out how the contract is governed including the ADM providing business plans to the Council in terms of the budget processes and mechanisms for monitoring the performance of the ADM.
- The Support Services Agreement will provide that the ADM will be provided with a range of support and administration services from the Council. These services will be provided by the Council on a rolling 12 month basis. The core services to be provided by the Council are detailed below in 4.4.1. The ADM would be free to provide these services directly or source them from elsewhere.

The agreement will set out the details for the calculation of the management fee. The Financial Case demonstrates that the operations being transferred to the ADM operate at a deficit which would require external funding for the ADM to be financially viable. Consequently, the Council will pay for the services of the ADM. This can be done through either a grant agreement or a service charge, their advantages and disadvantages are shown in the table below.

Table 14 - Options for the Management Fee

Nature of Arrangement	Advantages	Disadvantages
Grant Agreement	Would not be subject to procurement. VAT is not payable on the grant and it may be eligible for gift aid. May provide more flexibility.	Would need to assess any potential State Aid issues and ensure that they are appropriately addressed, Not as much as control in terms of detailed specifications and KPIs, but can define Outcomes and ultimate sanctions would be clawback or non-payment of grant. Likely to contain less reciprocal obligations that the ADV could enforce against the Council.
Services Contract	Has the potential to include more detailed service specifications, KPIs and performance monitoring regime. Can have more reciprocal obligations that can be enforced between the parties. VAT benefits.	Would be subject to procurement requirements. Would not be eligible for Gift Aid. May be subject to VAT

The Council will need to whether the deficit is funded by way of a grant or services contract. It is anticipated that this will initially be set at a rate reflecting the operational deficit transferring to the ADM but would be expected to reduce over time as the ADM improves the service offering, drives revenue and achieves operational efficiencies.

Despite the basis of the relationship between the Council and ADM, it is important that the ADM is supported by the Council, particularly in the early years and so the ADM must be set up in such a way that the advantages of its arms-length structure and charitable status are maximised. Further information regarding the main VAT considerations are outlined in appendix J.

4.5.1 Support Services

The provision of support services to the ADM is an important consideration. These services provided by the Council will encapsulate the following: - Human Resources, Finance, Information Technology, Legal Services, Insurance, Internal audit, Procurement, Communications, Grounds Maintenance, Property services and Business support.

Currently TLCY incur central support costs of approximately £1.158m. These charges are currently being reviewed to assess their accuracy but for the financial purpose of the outline business case, it is assumed that they will continue into the operation of the ADM.

4.5.2 Maintenance Options

One of the key aspects of the ADM is that the Council may wish to retain ownership of the assets and if so, it is in the interest of the Council to maintain these assets. There are two possible maintenance options for the properties based on whether the maintenance is supplied by the Council to the ADM or procured directly by the ADM:

- **Option 1 - Council delivery.** All necessary capital and maintenance works are delivered through the Council for no charge to the ADM. This approach allows the Council to reclaim the VAT incurred on the related expenditure where it relates to the Council's non-business activities. In this scenario, where the Council does not charge the ADM for these works there is no direct effect on the management fee.
- **Option 2 - ADM delivery.** If the ADM is given responsibility for all necessary capital and maintenance works this would mean that the ADM would incur expenditure and accordingly would require the payment of a higher management fee from the Council to the ADM to balance the income and (higher) expenditure. The ADM may not be in a position to reclaim all the VAT incurred on the spend.

The advantages and disadvantages of the two different maintenance options are shown in the following table:

Table 15 - Advantages and Disadvantages of Maintenance Options

Option	Advantages	Disadvantages
Maintenance responsibility is retained within the Council	The Council can reclaim the VAT on capital expenditure	ADM does not have control of its own maintenance regime and cannot act independently
Maintenance responsibility is transferred to the ADM	ADM has control of its own maintenance regime and can operate independently of the Council	The ADM is liable for the VAT and cannot reclaim the VAT in full.

The implications of Option 2 are that the ADM will suffer a partial VAT cost on any capital works or repairs and maintenance obligations. The ADM may be able to procure external contractors at a more competitive rate reducing the price differential, subject to compliance with procurement rules and so allowing the ADM to have control of its maintenance regime may be achievable without a material financial impact on the Council.

4.5.3 KPIs

The ADM should measure, monitor and analyse performance in order to ensure best practice and the highest levels of delivery. The use of KPIs is critical to this process as they are:

- A powerful tool which ensures an improving standard of delivery
- A means of actively measuring customer and employee satisfaction
- Enables the Council to measure and appraise the ADM based on performance
- Make informed decisions based on qualitative data

The KPIs are used to ensure the progress of the ADM by actively managing and communicating with customers, staff, management and the ADM Board. It will form part of the formal management reporting including:

- Monthly over-view by ADM Board
- Periodic Council meetings
- An annual report for the Council

The monitoring of KPIs should be linked to a Continuous Improvement Plan and reflected in the ADM business plan, setting out commitments to continuous improvement and targets that offer positive benefits. It should be reviewed annually in line with the ADM Business Plan.

Where performance is below target, or can be improved, the ADM should be required to develop action plans to be implemented and monitored to improve identified areas of weakness/improvement.

During the preparation of the Business Plan the ADM and the Council would agree a suitable set of KPI's with which to measure performance.

4.6 Staffing Considerations

4.6.1 TUPE

With the creation of the ADM, there will be Transfer of Undertaking (Protection of Employment) ("TUPE") implications for the Council. This applies to situations where undertaking, e.g. a function of service delivery, transfers to a new provider. The individuals working wholly or mainly in the area of work being transferred will be entitled to transfer with the work and their employer will change to the new provider. Under TUPE, the individuals will receive TUPE protection which, in general terms, protects an employee's continuity of employment, their pay and their contractual conditions. Pension arrangements are not afforded the same protection under TUPE.

An assessment of the work carried out by employees will need to be undertaken to confirm whether they work wholly or mainly within the functions being transferred to the ADM. Where this is the case, the employees will transfer to ADM and become employed directly by the ADM. In this scenario, TUPE will apply and the employees will receive the protection provided by TUPE. It should be noted that temporary employees will only have a right to transfer where their contract remains in existence at the point of transfer to the ADM.

In essence, the TUPE regulations transfer the contract of employment that exists between an employee and the Council to the ADM which becomes the new employer. The protection offered is not for a limited period of time and the ADM will only be able to amend employee's terms and conditions in limited circumstances.

TUPE arrangements will not apply to those employees who will continue to be employed by the Council. The Council has no obligation to provide work for casual workers and equally, if offered work, casual workers are under no obligations to accept it. Given the nature of this relationship, and the absence of a formal contract of employment, TUPE does not apply.

In the event that employees working within the areas identified for transfer to the ADM, do not meet the test of working wholly or mainly in these areas, they will not have an automatic right to transfer to the ADM nor will the Council be in a position to insist they transfer. All staff wholly or mainly assigned to the "transferable role" will move to the ADM. Staff will transfer with their existing terms and conditions of employment under TUPE.

4.6.2 TUPE Consultation

As is required by legislation, consultation on the transfer will take place in accordance with the TUPE Regulations. This will involve representatives from both the Council, as the current employer, the ADM and Trade Unions.

As part of the consultation, discussions will require to cover a number of areas including the following;

- When and why the transfer is taking place;
- The legal, economic and social impacts of the transfer on the employees (if any);
- Whether there will be any changes made in connection with the transfer, e.g. a re-organisation of employees, and what specific action is envisaged;
- Whether the ADM is likely to make any changes that will impact on the employees;
- Any impact on the employee terms and conditions;
- Any other matter affecting employees, who will be transferring, not covered in the above.

Consultation on such issues will require to commence as soon as possible on confirmation of the decision to transfer services to the ADM and will continue during the implementation phase leading to the extension of the ADM. To ensure good practice, it is also recommended that a wider consultation and communication strategy beyond that required by legislation is adopted including;

- meetings with Trade Union representatives at relevant intervals to address not only the statutory TUPE issues but also any more general operational or relevant non-employment related matters;
- issuing individual letters to employees and their representatives as appropriate; and
- preparing newsletters and regular web updates to keep employees advised of progress.

If any of the employee's within the current workforce do not meet the test of being 'wholly or mainly' employed within an area transferring to the ADM, specific consultation will be required including a discussion in respect of what this means to them.

4.6.3 Transfer Options for Employees

An employee working wholly or mainly in an area transferring to the ADM, will automatically transfer to the ADM, covered by TUPE protection. The list of employees in this situation will be discussed with Trade Union representatives. However, it is open to the employee to dispute that they are working wholly or mainly in such an area. In such circumstances, a process will be agreed with the Trade Unions to ensure careful, open and transparent consideration is given to any such challenges and that all decisions on employees, due to transfer, can be justified.

If an employee who is due to transfer has requested redeployment but is unsuccessful in gaining this by the date of transfer, they should continue to transfer to the ADM on the same date as all other transferees. Otherwise this would result in the Council having supernumerary employees at an additional cost to the Council. There is equally no legal obligation for the Council to find alternative employment for such individuals.

4.6.4 Pay, Terms and Conditions

The pay, terms and conditions of employees transferring to the ADM are protected by TUPE legislation. If the ADM wished to change the pay, terms and conditions of the employees following the transfer, it would be open for it to do so provided it met the requirements of having a justifiable reason under TUPE legislation; namely for reasons not connected to the transfer or where there is an economic, organisational or technical reason. Where terms and conditions are incorporated into the contract of employment from a collective agreement, these may be varied a year after the date of the transfer providing they are no less favourable.

4.6.5 Pensions

Pension arrangements are not protected by TUPE to the same level as pay, terms and conditions. The ADM would apply to be given admitted body status within the Greater Gwent Pension Fund (“GGPF”). This will enable ADM employees to continue to participate in the Local Government Pension Scheme with no changes to pension provision and full service protection.

By entering GGPF as an admitted body the ADM would be committing to all terms that need to be met by the employer.

The appropriate management of staffing issues are critical to the successful establishment and operation of the ADM. The management case, considers how these issues should be taken forward as part of the wider project management and planning approach.

4.6.6 Trade Union Recognition

At present, approximately 50% of the employees within TLCY services are members of a Trade Union. The majority of those members are represented by Unison, although some other Unions have members too.

It is anticipated that the ADM will recognise appropriate Trade Unions to ensure continuity in respect of recognition and consultation/negotiations arrangements. To support this, it is also suggested that the Board of the ADM be asked to develop a consultation mechanism.

4.6.7 Disclosure Checks

There are a number of posts within the services for which disclosure checks are undertaken to ensure all necessary steps to protect vulnerable children and adults are in place. MCC may wish to consider placing a requirement on the ADM that it meets the Council’s policies on such matters and checks continue to be carried out in accordance with these arrangements. Similarly, MCC may wish to make the same requirements of the ADM in respect of the retrospective disclosure checks.

All employees transferring to the ADM in posts which require disclosure checks will already have been checked through this process, however there will be a requirement to carry out checks for new employees, where relevant to their post and to carry out retrospective checks at agreed intervals. It should be noted that this will have cost implications for the ADM in the same way as it does for the Council.

4.6.8 Employee Development

It is essential that employees are competent and capable at their jobs, understand the standards expected of them and have the necessary skills to deliver services safely and efficiently.

Employees within MCC currently have access to a wide range of learning and development opportunities. Within the ADM, there will be an added dimension which requires the staff potentially transferring to develop new skills to operate in a third sector environment to ensure that all income generating and marketing opportunities are used to best advantage.

To ensure that the ADM excels at customer service, the behaviours and attitudes that underpin it will be fully engrained into their organisational culture. Every employee, regardless of their level of interaction with customers, will play a part in delivering outstanding customer service and achieving customer service goals and targets. Every employee will know what the organisation is trying to accomplish, that they are expected to help, and how they are helping.

In such a context, it is essential that employees continue to receive access to both job based training as well as skill development opportunities. Staff will be supported to co-produce a Personal Development Plan to set goals, monitor achievements and progress, whilst identifying immediate and future training needs. Being part of a unified team will enable peer motivation, coaching and enable increased performance, whilst giving employees “permission” to go that extra mile to make customers happy, empowering them to do what they need to do to meet the organisations vision.

Ultimately this will assist the ADM to deal with changing demands on services and to deliver efficient services to its customers. It is important that this is recognised and that the necessary budget remains in place to allow such training and development to continue.

4.7 Conclusions

The main conclusions from the commercial case are;

The recommended structure ensures compliance with EU Procurement. There is no procurement tendering process as MCC will be directly contracting with the Teckal company (option A – see 4.4.2) and awarding a grant to the ADM (4.4.1)

There are various models regarding governance (4.5.2 and 4.5.3)

Staff would transfer to the ADM with their existing terms and conditions under the TUPE regulations. (4.5.4)

An annual management fee (grant) is required as service operates at a deficit (4.6). The financial amount and length of the grant needs to be determined in the final business case.

Arrangements regarding assets need to be confirmed, preference is given to ownership of assets remaining with MCC. Capital maintenance of assets should remain with the authority (4.6.2)

Discussions need to be held with GGPF regarding the ADM applying for admitted body status (4.7.5)

5. Financial Case

5.1 Introduction

For the purposes of the Outline Business Case, the financial case has been prepared in line with the following underlying assumptions:

- The financial position is based on the 2015/16 actual position.
- The 2015/16 base position reflects the most recent list of assets used in the provision of TLCY services.(as shown in Appendix D)
- Updated transitional and recurring costs have been included in the analysis.
- The NNDR savings have been updated to the 2015/16 actuals to align with the base position.

5.2 Financial Position for 2015/16

To understand the potential financial advantages of the Council for each of the options, a baseline financial position has been established. This is based on the 2015/16 financial information (derived from the 2015/16 management accounts). The 2015/16 financial position has been repeated here for reference.

Table16 - Financial Position for 2015/16

	Leisure	Attractions	Arts	Youth	Outdoor Education	Tourism	Country-side	Total
Income								
Grants	-403	0	-2	-355	0	-44	-137	-941
Other Income	-2,731	-270	-77	-3	-952	-28	-112	-4,173
Total Income	-3,134	-270	-79	-358	-952	-72	-249	-5,114
Expenditure								
Employees	2,896	376	61	953	590	145	632	5,653
Premises	513	94	1	48	80	13	10	759
Transport	9	5	3	18	44	0	22	101
Supplies & Services	554	135	41	48	228	93	147	1,246
Third Party	101	12	0	0	0	27	82	222
Capital Financing	2	0	2	4	7	0	5	20
Total Expenditure	4,075	622	108	1,071	949	278	898	8,001
Net Deficit	941	352	29	713	-3	206	649	2,887

Source: Monmouthshire County Council Management Accounts

The analysis highlights that the combined assets have income of £5.114m and costs of £8.001m. This results in a net deficit of £2.887m.

The base case needs to be adjusted for the impact of the following items:

- Remove one off redundancy costs – 18k
- Remove one off consultancy costs – 9k
- Increase in costs to reflect the apportionment of NNDR costs that relate to the shared Leisure Centre Sites, this budget is estimated (pending revaluation) at 225k for 2015/16.

This increases the net deficit to £3.139m. Central support and other indirect costs of £1.158m need to be added to this, making a total cost of £4.243m. The final business plan will need to update these figures to reflect current costs and any further savings identified as part of the 2017/18 budget process. A review of the central support costs and other indirect costs will need to be undertaken to ensure that the current methodology correctly allocates costs to services.

There may be also additional costs identified within other service budgets which for valid operational reasons have remained in other services which will need to be identified prior to the establishment of the ADM.

5.3 Projected Financial Position

5.3.1 Projected First Year

The first year of trading will need to reflect a number of adjustments from the financial position in 2015/16. These adjustments reflect the following factors:

- Removal of non-cash items in order to establish the underlying operational performance
- Inclusion of additional costs in respect of any new structure:
 - ❖ One off setting up transition costs
 - ❖ The recurring annual operational costs
- Recognition of the savings generated by in respect of NNDR and VAT.

Table 17 - Adjusted Position (£000)

One Off Costs	Option 1	Option 2	Option 3	Option 4a	Option 4b
	Amount £000's	Amount £000's	Amount £000's	Amount £000's	Amount £000's
Net Position	2,887	2,887	2,887	2,887	2,887
Central and other indirect costs	1,124	1,124	1,124	376	376
Removal of one off costs	-27	-27	-27	-27	-27
Business Rates (Included within schools budget)	225	225	225	225	225
Management Fee	0	0	0	720	720
Profit on contracts	0	0	0	400	400
Current Service Costs	4,209	4,209	4,209	4,581	4,581
Costs					
One Off costs	0	30	175	281	281
Recurring Costs	0	30	95	150	150
Costs	0	60	270	431	431
Benefits					
NDR relief	0	0	-238	0	-238
Vat Benefit / Vat Liability	0	0	0	0	0
Benefits	0	0	-238	0	-238
Revised Costs	4,209	4,269	4,241	5,012	4,774

The overall impact of the adjustments is to project the underlying annual operating deficit as between £4.303 and £4.986m for the selected options. Further information on each adjustment is provided below.

5.3.2 Adjustment for non-cash items

An adjustment has already been made for all the non-cash items in the analysis in order to provide an indication of the underlying cash position from service operations. This adjustment separates out the impact of year end accountancy adjustments such as depreciation from the operational performance. This approach therefore allows the Council to understand how the financial position drives the requirement for a management fee to The ADM which is based on operation performance.

5.3.3 Transition costs

The Council will incur costs associated with each of the options. Existing sunk costs that have already been incurred by the Council have been excluded. One off costs have been estimated but will need to be revisited for the final business case.

Table 3 - Transition Cost Summary

One Off Costs	Option 1	Option 2	Option 3	Option 4a	Option 4b
	Amount £000's	Amount £000's	Amount £000's	Amount £000's	Amount £000's
Financial and Legal Advisors	0	0	100	100	100
Marketing, Media, Website, Branding	0	30	30	30	30
Office set up costs	0	0	20	0	0
ICT set up costs	0	0	0	100	100
Recruitment / Hr Advice	0	0	15	15	15
Tender Exercise	0	0	0	36	36
Corporate Governance Costs	0	0	10	0	0
Total	0	30	175	281	281

Source – FPM

5.3.3 Ongoing recurring costs

Additionally, the options would incur a range of recurring annual costs. These have been estimated and are categorised in the following table.

Table 4 - Recurring Cost Summary

Recurring Costs	Option 1	Option 2	Option 3	Option 4a	Option 4b
	Amount £000's	Amount £000's	Amount £000's	Amount £000's	Amount £000's
External auditors	0	0	15	15	15
Marketing	0	30	30	30	30
Financial Management Costs	0	0	20	20	20
Legal and regulatory costs	0	0	20	20	20
Trustee expenses	0	0	10	0	0
MCC Contract Management			0	65	65
Total	0	30	95	150	150

Source – FPM

5.3.4 Management Restructure

The existing management structure will need to be reviewed to ensure the new organisational structure is fit for purpose and in place for the go-live date. At this outline business case stage, no cost or savings associated with this exercise have been factored into the financial case. Further work on the proposed structure needs to be undertaken for the final business case.

5.3.5 NNDR Savings

It is estimated that the ADM could realise NNDR savings of £238k. This estimated range of NNDR savings assume that the ADM's application to the Charity Commission for charitable status will be approved and that the ADM will obtain the full mandatory rates relief of 80% as a charity. The ADM will need to occupy the facilities and the facility will need to be used 'wholly or mainly for charitable purposes'.

The estimated NNDR savings are based on the total NNDR costs for each facility. Where the ADM is unable to obtain the full relief this will directly impact on the NNDR savings that can be achieved. At this stage it is not possible to confirm whether or not the ADM will be awarded the full relief.

The estimated range of NNDR savings position also takes into consideration the potential complications associated with the dual use facilities at the Leisure Centres. As these facilities form part of the overall school complex for rating purposes, there will be a requirement for the District Valuer to make a judgement on the area of the sports centres which relates specifically to the ADM – it is only this area that will be eligible for NNDR relief.

Advice received so far indicates that in order to obtain the maximum NNDR relief each area which will be subject to an NNDR relief application needs to be distinct and must look and feel

like an ADM facility. This is clearly a risk to the level of savings that can be generated from NNDR exemptions.

Depending on the view taken by the District Valuer there is a risk that the ADM may not achieve NNDR relief on the full area occupied within these facilities. The intention however would be to pursue the full available NNDR relief on these facilities. There is an associated risk that by splitting the sites, the rateable values may increase.

5.3.6 VAT Savings

It is expected that some elements of the preferred option will have charitable status and consequently certain income it generates could be exempt for VAT purposes under the VAT Sporting Services and Culture Services exemptions, and this can provide VAT savings. The Council is currently required to charge VAT on the provision of these services, whereas with a charitable organisation should be able to treat the provision of the services as exempt for VAT purposes. The savings arise where the price charged to customers remains unchanged and the charitable element would be able to retain the portion of income that the Council had to charge and account for as VAT.

This can be best demonstrated with a simple example:

If the Council charged £3 for admission to swimming

- *£3 would include 50p of VAT – the net receipt for the Council would be £2.50*
- *If the Charitable organisation £3 for admission to swimming, £3 is exempt from VAT – the net receipt would be £3*
- *Saving would therefore be 50p.*

Where the Charitable organisation provides services to the general public free of charge there will be non-business use of those assets. As an ADM would not benefit from the Council's section 33 VAT Act 1994 status, this would require the ADM to restrict recovery of a proportion of the VAT it incurs on expenditure where it is not used for taxable business purposes. Where the ADM undertakes activities that are exempt from VAT this will also require an ADM to restrict recovery of a proportion of the VAT it incurs on expenditure.

The Business/Non-Business/Partial Exemption calculation ("B/NB/PE") will determine how much VAT the ADM is entitled to reclaim from HMRC. The B/NB/PE method used for the purposes of the analysis has been based on a method which involves treating each of the service areas as a separate and defined B/NB/PE calculation. The B/NB/PE calculation must be agreed with HMRC. Monmouthshire's VAT Accountants along with the Council's VAT Advisors have reviewed the impact of the removal of the ADM and their assessment is that it would result in a minor benefit to the calculation for MCC.

Some sporting activities delivered by the Council are funded by grants as typically the users are not charged for the provision of the leisure service. The VAT analysis assumes the Council will continue to receive the grant funding and will act as the principal by subcontracting the management and delivery of the relevant projects to the ADM. Where this is the case, the ADM will need to ensure the correct VAT treatment is applied to its supply of services to the Council. The VAT position will need to be considered on a case by case basis to determine whether it is a non-business grant arrangement or it should be treated as a taxable service.

The VAT position has been modelled based on a range of savings depending on the acceptance by HMRC of the proposed approach. It is critical that the VAT position is agreed with HMRC as soon as possible as certainty on the potential VAT savings can't be achieved until HMRC has confirmed its approval to the proposed arrangements.

The estimated VAT savings are calculated by using the Council's actual figures from 2015/16 - the analysis has also been based on the Council's existing VAT treatment of income and expenditure. The calculations have been subject to independent assurance by Mazars and Monmouthshire County Council VAT Advisors and the savings are estimated to be between £30k and £100k.

The estimated VAT savings would then be affected by the decision to award a grant to the ADM rather than through a service contract. This would reduce the amount of savings to a minimal level and therefore for the purpose of this financial case, VAT savings have not been included.

The FBC will re-evaluate the value of the potential VAT savings based on the 2016/17 final costs. The legal structure and how services are delivered within that structure will have an impact on the potential VAT savings which will be factored in once those decisions have been agreed.

5.3.7 Further Income Generation

A comprehensive exercise has taken place to identify some key income streams across all of the service areas in scope and consideration given to how these can be developed with a joined up approach to ensure the full potential of each area is maximised to its full potential. More information is contained in Appendix V. Listed below are some examples of these areas:-

- The Monmouthshire Games are sporting activities aimed at children 5 - 11 years during all holiday periods and initial trials have proven very successful and have further potential to expand across TLCY.
- Our Learn to Swim Programme providing swimming lessons for children aged 4 months - 12 years has real potential to grow further, especially with the newly proposed 25 metre 5 lane swimming pool in Monmouth Leisure Centre.
- Review our model for personal training with our existing instructors maximising the financial opportunities with periodic agreements for rental of our facilities.
- Monmouth Leisure Centre Re-design provides a real opportunity to re-develop the site in line with the 21st Century School program to encompass a 25 metre 5 lane pool, spa and treatment facilities, 60 station fitness suite with toning and spinning room and a family/play area with catering facilities.
- There are opportunities to re-design and develop some of our existing buildings such as Abergavenny Leisure Centre to grow our existing membership base with a 50-60 station fitness suite with functional training and toning.
- Following on from the success of Monacademy within Leisure we will be introducing a training academy across all areas including fitness, sport, counselling, first aid, teambuilding, lifeguarding etc.

- We also want to develop our catering offer across all facilities with a clear direction along the lines of the Costa offer both eat in and take away options with a clear emphasis on health. This will involve relocating some areas within our facilities to position them in more prominent places to encourage customers to visit.
- There will be a dedicated marketing and sales team working across to identify potential leads to create additional sales through a successful annual marketing plan. There will be specific roles within this team to drive brand, image, promotions, sales, digital marketing, social media and customer reward schemes.
- Develop our existing events programme to target high profile well known performers and large concerts as this is a proven market that sells well.
- Invest in initiatives that provide additional activities to ensure customers want to visit our facilities for a multiple of reasons such as crazy golf, family play areas, additional parking, railway tunnel (specifically at Tintern Old Station).
- Explore options with camping and accommodation facilities to grow the tourism offer.
- There are opportunities to combine and grow areas of the service around play, activity, therapy and wellbeing.
- Review all fees and charges relating to green infrastructure and countryside to maximise income.
- Other areas we will be looking to maximise are room hire, secondary spends i.e. merchandise and goods for resale, sponsorship and commercial opportunities selling space to local companies.
- A full review of the delivery of outdoor education is needed to ensure this area is maximised and sustainable with room hire, rents, accommodation, adventure therapy, training etc.

A large piece of work has been undertaken within the area of potential income streams with real emphasis being placed upon joining these areas up to identify the opportunities that currently exist but also those that can be introduced in this new model moving forwards.

5.3.8 Capital expenditure

In order to estimate the cash position of the ADM the adjustment for non-cash items removed depreciation from the financial projections. A significant area of cash flow demand can however be the need to incur substantial capital expenditure, but the Council will need to determine responsibility for future revenue and capital maintenance.

Capital expenditure will therefore be excluded from the base management fee paid by the Council to the ADM and accordingly separate arrangements are required. However, as no detailed expenditure proposals have been prepared at this stage, the specific arrangements, and tax consequences, remain to be addressed.

5.3.9 Other Exceptional Events

There were a number of minor closures to leisure facilities during the year. However, there were no material exceptional events that would require the financial position of the ADM to be adjusted.

5.4 Financial projection

The table below sets out a 5 year financial projection for all of the options

Table 20 - Five year projected position (£000)

NET COSTS	Option 1	Option 2	Option 3	Option 4a	Option 4b
	Amount £000's	Amount £000's	Amount £000's	Amount £000's	Amount £000's
Year 1	4,209	4,269	4,241	5,012	4,774
Year 2	4,209	4,239	4,066	4,571	4,333
Year 3	4,209	4,239	4,066	4,571	4,333
Year 4	4,209	4,239	4,066	4,571	4,333
Year 5	4,209	4,239	4,066	4,571	4,333
TOTAL	21,045	21,225	20,505	23,296	22,107

The projections are based on the analysis and assumptions set out within this outline business case and in addition inflation has been excluded. To provide maximum transparency over each of the five years, the year 1 projection assumes a 12 month year. This will have to be updated in the final business case to reflect the go-live date.

The analysis shows that all of the options will have an operating deficit with the ADM being the better cost option. The cost private sector operator and the NPDO is substantially larger than the ADM provision. This is mainly due to the inclusion of a profit element. Without market testing it is difficult to quantify what the actual tender price would be but any reduction is likely to come at a cost to either a reduction in terms and conditions of staff through a harmonisation process or a reduction in service.

The preferred option, the ADM will need to operate as a going concern and detailed consideration will be required on the necessary steps to tackle and reduce this deficit, these would include:

- Initiatives to grow income for the ADM
- Identification of efficiency savings that can be realised
- Payment of a management charge by the Council to the ADM

5.5 The impact of the Annual Management Fee

The proposed operating model is based on an annual management fee as the services operate at a deficit. The financial amount and length of grant need needs to be determined in the final business case but the amount would usually be at a fixed fee for a fixed period with the expectation that at the renewal period, the financial support would be reduced.

The table below demonstrates the impact of inflation on the transform in house option compared to the preferred option, the ADM. The proposed operating model enables the continued delivery of services within a restricted financial envelope.

If an agreement was made based upon a five year fixed agreement with the contribution reducing by 5%, then the council would save £6.88m over a ten year period as that cost would be fully borne by the ADM. A longer term agreement of 5 years, with contributions reducing by 5% for the next fixed term agreement would save the Council £5.5m. The ADM would be expected to fund all of the service annual inflation as well as generate additional income.

Table 21 – Impact of Annual Management Fee

	Assuming 5 Year Fixed Contract with 5% reduction			Assuming 10 Year Fixed Contract		
Year	Option 2 - Transform in House £000's	Option 3 - ADM £000's	Potential Savings £000's	Option 2 - Transform in House £000's	Option 3 - ADM £000's	Potential Savings £000's
1	4,269	4,241	-28	4,269	4,241	-28
2	4,279	4,066	-213	4,279	4,066	-213
3	4,325	4,066	-259	4,325	4,066	-259
4	4,393	4,066	-327	4,393	4,066	-327
5	4,473	4,066	-407	4,473	4,066	-407
6	4,554	3,863	-691	4,554	4,066	-488
7	4,636	3,863	-773	4,636	4,066	-570
8	4,719	3,863	-856	4,719	4,066	-653
9	4,803	3,863	-940	4,803	4,066	-737
10	4,888	3,863	-1,025	4,888	4,066	-822
Total	45,339	39,819	-5,520	45,339	40,835	-4,504

5.6 Summary and Conclusions

In this section, the base financial position for all of the models has been established. The financial projections reflect:

- The 2015/16 financial outturn of a £4.243 deficit excluding non-cash items such as depreciation.
- The most cost effective option is option 3, the ADM with a five year cost of £20.505m.
- The benefit to the Council of option 3 would be the avoidance of pay and other inflation which over a ten year period could save £5.52m.
- Option 4a – outsource to the private sector appears to be the most expensive because it assumes that NNDR relief would not be available to the contractor and also assumes that the contractor will anticipate a profit margin of approximately 5%. It is likely however that if the services were to be tendered, the expectation is that the price would be significantly less and may match the existing in house provision cost. The private operator would have to make significant changes to the way services are delivered and would need to review the current staffing structure and their terms and conditions.
- There are potential NNDR savings within option 3 and option 4b which is anticipated to be £238k. VAT savings could be factored into the model if the decision is made to award a

service contract to the ADM and there could be further savings from any required management restructure savings. This will be assessed through the business plan and the final business case.

Next Steps

During the preparation of the Final Business Case and the Business Plan for the ADM the following issues of detail would need to be addressed:

- Update of costs to reflect actual financial position for 2016/17
- Completion of the Council's budgetary savings exercise for 2017/18
- Confirmation of arrangements to meet capital expenditure requirements
- Agreement of where services fit into the ADM structure
- Updated VAT and NNDR analysis based on the ADM projected financial position and agreement reached with HMRC and the District Valuer.



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6. Management Case

6.1 Introduction

The purpose of this section is to:

- This demonstrates that the implementation of the ADM is achievable and can be delivered successfully in accordance with accepted best practice.

The assessment will be informed by:

- The project plan and outline
- The proposed governance structure and legal implications
- The current risk register and communication plan.

6.2 Project outline, project plan

A project plan, detailing the timing of the scheduled tasks is shown in Appendix x. It has been developed to tackle the issues identified in the commercial and financial cases. The project plan contains details of a number of actions that are central to the implementation of the ADM. It is expected that the majority can be undertaken and completed prior to the proposed implementation date of the 1st April 2018. This includes the following items;

- Completion of the TUPE transfer process and application for admission to the Greater Gwent Fund, as identified in section 4.5 of the commercial case
- Completion of the Charity Commission application process
- Completion of HMRC engagement

6.3 Charity Commission

MCC will submit an application to the Charity Commission for charitable status for part of the ADM. They will need to confirm that the company to be established meets the charity test by having charitable objectives and providing benefits to the public.

The Council must be aware that there are additional financial and administration considerations for the Council that they must consider upon a successful charitable application. A separate set of charitable accounts must be produced that complies with the charities statement of recommended practice ("SORP").

6.4 Governance Structure

Governance is extremely important and has a number of strands. Effective governance can lead to improved services and greater accountability to users, donors and other stakeholders. Governance will be influenced by the structure of the ADM. The Memorandum of Articles of Association will determine how the companies will be run and similarly, the charity must abide by charities law which regulate their activities. Members of the Council may be on the board of the ADM, subject to their duties as a director of the company but also must be mindful of the key importance of the conflict of interest issues but this does create a strong link between the Council and the ADM.

The service specification agreed between the Council and the ADM would drive governance in terms of the requirement for compliance with its terms. The management and governance structure integral to the ADM itself needs to be a robust structure with clear reporting lines to facilitate the communication of key issues. A review of the required structure will be carried out during the implementation process.

In terms of the relationship between the Council and the ADM, how the ADM reports to the Council's governance structure in future will need to be reviewed so that such issues as the approval of the annual business plan and periodic reports are submitted to the Council. Consideration will need to be given as to how the Council monitors the ADM on an ongoing basis.

6.5 Risk Register

The Project Team have developed and manage a detailed risk register for the project. The effective identification, quantification and monitoring of risk is a critical part of effective project delivery. A full register outlining all the pertinent risks faced by the project is contained in appendix K.

6.6 Contingency Plan

Should the new model for service provision not be implemented the contingency plan would be for the current model to continue and to transform services in-house. This approach ranked second in the options appraisal and is considered the approach that would allow service provision to continue with no impact on users.

6.7 Engagement

6.7.1 Introduction

Engagement is underpinned by organisational development, building on what is already embedded and developing this to ensure that services are transformed into solutions, that hearts and minds embrace its recommendations. Thus turning the rhetoric into reality, developing a positive and proactive healthy culture aligned to existing business acumen, seeing new opportunities in everything the organisation does.

Public services are focused on improving social, economic, environmental and cultural wellbeing, in accordance with the sustainable development principle. The three specific themes of MCC have been acknowledged to support the focus of the work:

- **Nobody is Left Behind:** so that Monmouthshire is a place of cohesive communities where everybody is treated with dignity and respect and has the same opportunity to achieve.
- **People are Confident, Capable and Involved:** where Monmouthshire is a place for people to feel safe and a place where people want to be involved; where they are confident in themselves and their abilities and how they contribute to their community.
- **Our County Thrives:** so that Monmouthshire is a thriving county and a thriving economy to support communities and where families can live a good life. This sense of thriving also means in context of the environment and habitats and where biodiversity thrives.

The Improvement Plan describes the contribution that Monmouthshire County Council is making to turn this vision into tomorrow's reality.

The Council's strategic priorities are that **we will work in partnership to maximise the potential of:**

- Support for vulnerable people
- Education for Children
- Support for enterprise and job creation
- Maintaining locally accessible services

To protect local services the expectation is that every service is efficient and cost effective. As a council we will try to do more with less – this will inevitably mean changes. This will always be shaped by public engagement, informed service design and learning from the best in public service delivery in the UK and beyond. It is the social capital, the ideas and community here in Monmouthshire that provides us the find a different path to excellent services and improved well-being.

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 services have been identified to become mobilised through an alternative delivery model offering future sustainability, growth and scope for development.

6.7.2 Engagement

Before we jump ahead with the ideas and blue sky thinking, now more than ever it is clear that the way to progress and be successful in the future is to ensure we engage with our employees and customer. This means connecting what our employees say to what our customers say, then using our findings to engage and enable employees so they in turn can give the customer a great experience. Digital technology has created an explosion of choice, as well as endless ways to compare and rate products and services. As a result, our customers not only know what they want, but also when, how and where they want it. And that includes a different kind of service at times.

We also want to increase the effectiveness and efficiency of engagement with our communities, service users and partners, through improved communication and increased collaboration, to ensure they are informed, involved, consulted and enabled to take action within their own communities. We want to make it easier for people to see that their views have made a difference and what has changed as a result.

6.7.3 Our Engagement Principles

While the methods we use to engage with staff, service users, community and partners may vary according to circumstances and needs, the following engagement principles underpin all of the engagement activities:

- ✓ Clear purpose
- ✓ Inclusion and access
- ✓ Valuing all views
- ✓ Feedback
- ✓ Use of appropriate tools to engage

Engagement needs to be two-way, direct, transparent, open and easily understood.

The following table outlines the engagement undertaken with our staff, service users, elected members, colleagues and partners.

Table 22 – Engagement Process

Date	Engagement processes to date	Purpose
December 2015	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 new delivery model; what they needed from the process and concerns they had
January 2016	Bringing together of Cultural services as a result of the Amion report	To respond to findings of report and improve services for the future
February 2016	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
From January 2016 monthly	Regular meetings with nominated Members	To inform Members of progress made at each stage; to ensure messages and direction are clear and meet expectations
From January 2016 monthly	Regular meetings with Union representatives	To inform union representatives of progress being made at stages and opportunity for them to raise queries
August 2016	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
September 2016	Joint Select Committee	For committee to scrutinise the Strategic Outline Case
October 2016	Cabinet	For Cabinet to scrutinise Strategic Outline Case and to give approval for next stage of process
October/November/December 2016	Town and Community Council engagement	To engage with our local elected members and to ensure they are enabled to feed into the process and give comment
October/November/December	The BIG Conversation	To engage with our younger community members; find out what matters to them; what they think they will need

Date	Engagement processes to date	Purpose
		in the future and what can be done to change things
November 2016	Staff engagement day for all 6 service areas	To update staff on processes to date. To enable staff to be involved and contribute to the vision and values of the new model. To evaluate processes to date and gauge staff feelings.

Further information of all engagement to date can be found from Appendix L to U.

6.8 Conclusion

This management case has set out that to transfer to an ADM of service delivery is achievable and can be delivered successfully. A detailed project plan has been prepared and is set out in Appendix W. This sets out a challenging set of tasks that will need to be completed before go-live date.

The project needs to be supported by strong governance, with the Project Team reporting to a Project Board, and with decisions on further approval to be made by the full Council. Effective risk management will continue through monitoring and updating the risk register. A suitable contingency plan to continue with the current service model will be developed should unforeseen issues delay the implementation of the ADM.

Throughout this process regular communication with elected members, Council employees and service users will be essential.

6.9 Update Position

The Management Case is being systematically developed and delivered as envisaged. In order to meet the expected go-live date, priority will need to be given to producing key documents with Financial, Charity Commission and HMRC work being key. As highlighted the treatment of property assets may be covered by lease agreements and maintenance, repairs and capital expenditure will need to be determined to ensure continuity of service and maximising the potential savings.

All the other key issues covered in the management case of licences, agreements, TUPE, Charity Commission, HMRC, Governance, Risk Management and Communications are all in hand utilising the existing structures and frameworks available from within the Council.

In addition the delivery mechanism chosen and the commitment to positive partnership means that from day one the ADM will be ready to deliver high quality customer services and MCC will be ready to provide the highest quality support services that will ensure the ADM is a success.

Appendix A - Monmouthshire County Council Principles

The aims and values of Monmouthshire County Council principles were used to establish the criteria for the Options Appraisal Workshop.

Aims and Values of Monmouthshire County Council

Our Priorities

- Education
- Protection of vulnerable people
- Supporting Enterprise - Business and Job Creation
- Maintaining locally accessible services

Our Values

- **Openness:** we aspire to be open and honest to develop trusting relationships.
- **Fairness:** we aspire to provide fair choice, opportunities and experiences and become an organisation built on mutual respect.
- **Flexibility:** we aspire to be flexible in our thinking and action to become an effective and efficient organisation
- **Teamwork:** we aspire to work together to share our successes and failures by building on our strengths and supporting one another to achieve our goals.

Outcomes we are working towards

Nobody Is Left Behind

- Older people are able to live their good life
- People have access to appropriate and affordable housing
- People have good access and mobility

People Are Confident, Capable and Involved

- People's lives are not affected by alcohol and drug misuse
- Families are supported
- People feel safe

Our County Thrives

- Business and enterprise
- People have access to practical and flexible learning
- People protect and enhance the environment

Appendix B - 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 C - Service Area Overviews

Leisure and fitness

Our Purpose is to provide clean, friendly, accessible facilities and services for all our customers. Our Vision is that our facilities and activities are designed to enhance the quality of people's lives and improve the health of the communities that we serve.

Leisure Services has a real passion to develop and promote an enterprising culture, which builds business resilience and creates excellent outcomes for our communities. They are responsible for the management and operations of four dual use leisure centres within Monmouthshire based on secondary school sites at Abergavenny, Caldicot, Chepstow and Monmouth. Our facilities and activities are designed to enhance the quality of people's lives and improve the health of the communities that we serve with around 1,000,000 visits per year.

There are currently 5,000 annual and direct debit members who benefit from some excellent facilities and programming to achieve their goals. There are over 4,000 members on the Exercise Referral Scheme attracting 100 new people every month and have 2,000 children in the "Learn to Swim" programme.

Leisure Services has done a great deal to provide much needed opportunities for local people to lead more active lifestyles. Thousands of residents have benefitted from taking part in cultural and leisure activities, which have literally changed people's lives. This has been largely achieved through investment in facilities, events and targeted approach to marketing. They are an ambitious service and feel there is still much scope for further improvement and development.

Leisure Services have proven that they have the ability to be resilient and self-sufficient in a challenging economic climate. Their focus is to deliver high quality facilities, wide ranging activities for all, innovative and creative ways of working, increased participation levels and income generation. Whether you are an aspiring Olympic athlete, recreational user or volunteer, there is a strong sense of personal satisfaction in all leisure activity, which prompts people to try new things, set new goals, meet new people and have fun.

This sense of personal satisfaction and achievement is easily over-looked but underpins both individual and social health and wellbeing.

Attractions

Caldicot Castle and Country Park

Caldicot Castle and Country Park is a scheduled ancient monument set on the outskirts of the small town of Caldicot. It consists of the remains of a Medieval Castle and Victorian Gatehouse within an enclosed curtain wall incorporating a garden of approximately 2 acres. Surrounding this there are 60 acres of grassland and park including a section of the River Nedern and an ornamental wildlife lake.

The vision for the Castle in the Park is to be recognised as a premier castle heritage destination providing a strong focus for engaging with the local community and for visitors to South East Wales. We will encourage greater involvement and ownership through improved access, allowing the development of recreation, interpretation and education for all.

We are a popular destination for school visits, family occasions such as weddings and private parties, caravan rallies, ghost walks, re-enactment and specialist themed weekends and memorable red letter event days. We are gaining a reputation as an excellent large concert venue with internationally

recognised performances and also as a regular host to big screen sporting occasions and annual events such as Firework displays and Christmas specials.

We are currently open 6 days a week from April to October but this is under review to extend the provision. We are also concentrating on developing our tea room into a fully functioning café offering quality local produce and wish to provide a kiosk in our Country Park to provide a service to our dog walkers and nature watchers.

Shire Hall

Our purpose is to provide a high quality venue and other services to a wide range of people, including schoolchildren, community groups, tourists, wedding parties, art exhibitors and commercial business. We focus particularly on an extremely high standard of customer care.

Our vision (Helping to create wonderful memories) is to enable our visitors, both local and from further afield to connect with our rich history and explore our beautiful building. We strive to ensure that, whatever the occasion, our guests' experience is as special, memorable and impressive as possible.

After a complete restoration and refurbishment in 2011, Shire Hall has now been in operation for 5 years during which time we have hosted and organised a hugely diverse range of events and activities. We have been able to investigate what types of activities work best in this quirky building and where its strengths lie.

We see Shire Hall as a key player in Monmouthshire County Council's aim to build a sustainable and resilient service by generating income rather than be a drain on resources. We are faced with the considerable challenge of doing much more for much less but Shire Hall is ideally placed to embrace this challenge. We have a unique, incredibly high-quality, beautiful building which is fit for purpose and flexible enough to host any type of event. Facing a time of uncertain financial circumstances, we must be mindful of maximum possible income generation but not at the cost of providing a seamless, memorable and special event.

With our wide range of Community groups we are now an important part of the rich Community life in Monmouth and beyond. We have built the business from the ground up and now experience visitor figures of around 70,000 per annum. Despite an ever increasing and competitive Wedding marketplace in Monmouthshire, we continue to become more popular as a place to get married. Shire Hall has recently become Monmouth's centre of learning for the Welsh language and through partnership with Coleg Gwent provides the Mynediad (entry), Sylfaen (Foundation level) and Caolradd (Intermediate) levels of learning.

We aim to deliver a high quality, customer service driven business where our paramount concern is that whatever the occasion, the experience is efficient, memorable and beyond customer expectations.

Old Station

Our purpose is to provide the best possible customer focussed, accessible tourist attraction while striving to generate economic and social benefits for the local community and also to the visitors to Monmouthshire.

Our vision is to successfully create a connection with our customers and employees as many may stay loyal for life, this will lead to giving us a chance to increase overall profitability while building a solid foundation.

The Old Station is a 10 acre countryside site sitting on the River Wye in the heart of the Wye Valley area of outstanding natural beauty (AONB). The site welcomes 120,000+ visitors each season attracted by the multi award winning tea room situated in the original Victorian Waiting room. The site also offers a good base for walking and cycling enthusiasts and offers include a small camping field, an exhibition area, adventure play area, stunning views, a children's activity programme, a retail shop, local history exhibition, tourist information point and wedding venue.

We want to create value, excite and delight our customers by providing the best possible service and products.

We will achieve this by staying true to our core values of integrity, customer focus, creativity, respect, efficient actions, and team spirit.

Outdoor Education

Our purpose is to provide a high quality, cost efficient outdoor education and adventure activities across SE Wales and beyond.

Our vision is that our facilities and activities are designed to enhance the quality of people's lives and improve the well-being of the communities that we serve.

The outdoor service is responsible for the management and operation of three specialist outdoor centres near Abergavenny, Brecon and Monmouth providing visitors with fully catered residential facilities. Each of the sites is located close to some outstanding natural environments such as the Wye Valley, Black mountains and Brecon Beacons.

The service holds licences from the Adventure Activity Licensing Authority for caving, climbing, trekking and paddle sports and is an Accredited Activity Provider for the Duke of Edinburgh's Award scheme expedition section. Outdoor staff are highly skilled and hold NGB qualifications in a wide variety of activities enabling them to teach in many different physical environments.

We provide around 20,000 visitor days annually, the vast majority being residential school groups from south east Wales. Around 90% of clients are regular, repeat users. We also work with adult and youth groups from all over the UK. All groups are provided with bespoke programmes designed to achieve their specific desired outcomes.

Adventure activities have been included in the National Curriculum in Wales since 2008 and in England since 2013. Activities are designed to promote a diverse range of outcomes, including enjoyment, confidence building, self-reliance, team development, activity skills, risk management and environmental awareness.

The service has responded positively to funding challenges over recent years and has developed new markets, amended staffing structures and working patterns to increase efficiency and remodelled the charging regime. The result of this has been an increase in revenue with the service now circa 75% self-financing with aspirations to move to 100% in the next few years, turnover in the region of £1million. Recent research by Visit Wales has put the annual value of outdoor activity tourism in Wales at £481 million.

In addition to the core business we also provide single day visits, outreach at school sites, teacher training, CPD, school site mapping, technical activity training (such as caving, climbing, orienteering, mountain biking and canoeing) , mobile climbing wall hire, minibus driver training, camping facilities, self-catered accommodation and conference facilities.

Green Infrastructure & Countryside

Our purpose is to make Monmouthshire a green and healthy place to live, work and visit, through a well-connected and accessible network of green and blue spaces which embrace our unique and special landscape and rich diversity of species and habitats, or put more succinctly “to support resilient & active environments for all”.

At the heart of our work is an integrated Green Infrastructure approach. Green Infrastructure (GI) is the network of natural and semi natural features, greenspaces, rivers and water that intersperse and connect our villages and towns. When appropriately planned, designed and managed GI has the potential to deliver a wide range of benefits for people and wildlife. Our approach is to work in a multidisciplinary and joined up manner with partners to maximise and realise these environmental, economic and social benefits.

We are driven by a twin desire to enable active lifestyles and to work with others to maintain and enhance a living natural environment with healthy functioning ecosystems that supports social, economic and ecological resilience.

To help this we provide integrated services managing public rights of way, countryside and coastal access, countryside / heritage visitor sites; protecting trees & hedgerows; conserving and enhancing biodiversity and landscape; coordinating play strategy; supporting partnerships, including the Wye Valley Area of Outstanding Natural Beauty (AONB) partnership and other landscape scale projects, such as the Living Levels Partnership. We also provide specialist advice to internal and external customers on green infrastructure issues (on landscape, biodiversity, and access) with the aim of enabling people to protect and enhance the environment.

We support the tourism economy by promoting the county's walking product and by managing distinctive countryside and heritage sites. We provide and support opportunities for residents and visitors to enjoy active and healthy lifestyles through activities, events, arts, learning and play. We provide direct and indirect volunteering and community involvement to help individuals access and benefit from education, training and skills development and contribute to healthy and fulfilled lives.

Tourism, Marketing, Development and Visitor Information

Our purpose is to increase the competitiveness of Monmouthshire as a year round sustainable tourism destination to grow the economic, environmental and social contribution of Monmouthshire's visitor economy.

Our vision is to achieve a strategically driven and coordinated approach to destination development, management and marketing to increase Monmouthshire's contribution to the regional and national visitor economy of Wales.

We will achieve this by focusing on agreed priorities to make best use of available resources and by engaging with tourism businesses and stakeholder organisations in productive partnership working that is relevant to their interests and makes best use of available budgets and manpower resources. We also deliver world class visitor information that exceeds the expectations of visitors and delivers measurable and increasing benefits to the destination. We have developed and delivered effective destination marketing campaigns, which raise the profile of Monmouthshire in target markets and promote the wide range of visitor experiences on offer in the county to new and existing audiences in the UK and overseas across appropriate off and online channels.

One of our main aims is to support an ambassador programme to increase dwell time (and spend) of visitors and distribute the benefits of tourism more widely across the county and in doing so increase

advocacy and repeat visits. We also want to support the development and marketing of council-operated attractions to enhance the visitor experience and increase sustainability. Supporting training and business skills across the county to raise standards and increase satisfaction with the Monmouthshire visitor experience is key to our success and one of our main aims is to drive up tourism business performance in the county and developing year round visitor demand. Another main function for the service is to commission and manage research projects to provide Monmouthshire tourism businesses with the destination intelligence they need to support business growth.

Events

Our purpose is to support our county's current portfolio of events and to grow and be sustainable. We must also actively introduce new events which complement the cultural, heritage, food and sporting assets of the county to further promote the profile of Monmouthshire regionally, nationally and internationally.

Our vision is develop and promote an enterprising culture, which builds business resilience and creates excellent outcomes for our communities.

Events are an important component of the cultural, social and economic life in Monmouthshire and are valued as such by residents, businesses and visitors alike.

The portfolio of events delivered in 2014 within Monmouthshire tells us that this county loves events which will only continue to grow for years to come.

These are the set of key guiding principles of Monmouthshire's event toolkit:

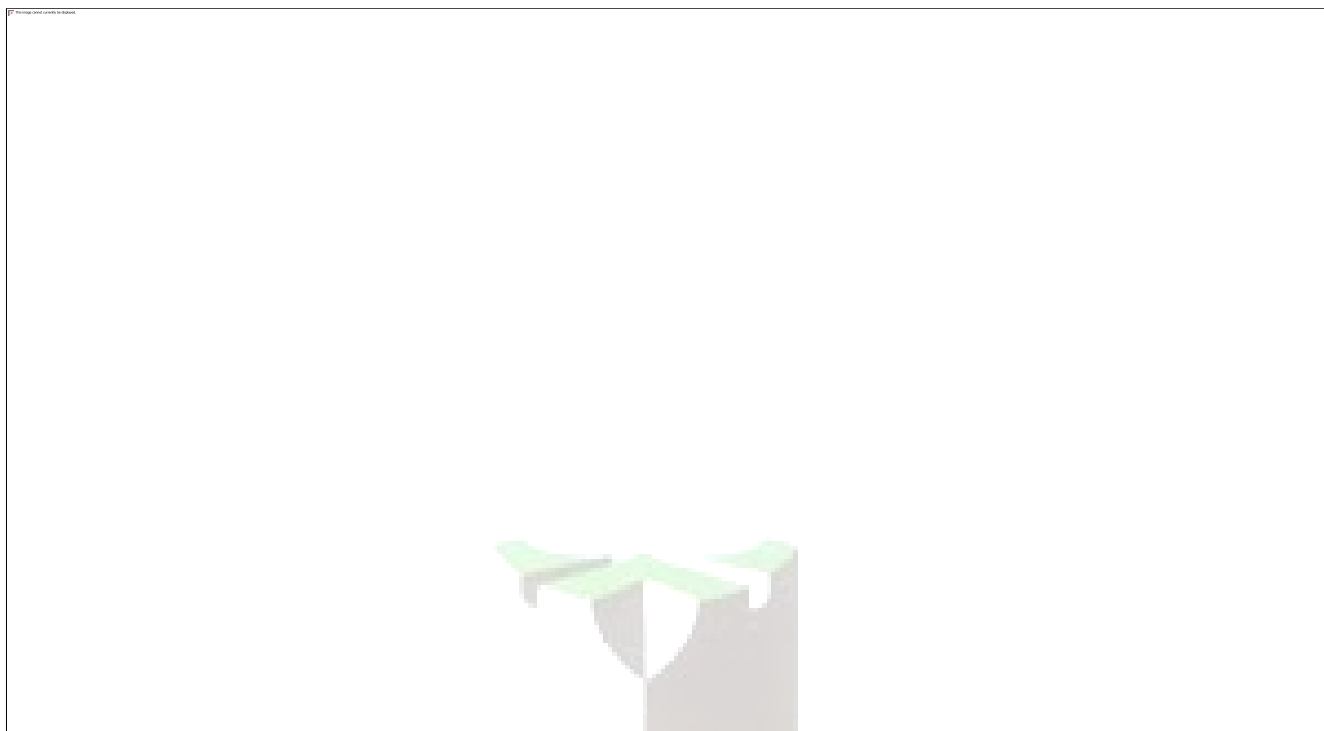
- Tightening local government budgets require us to think more creatively to deliver our aspirations. Our thinking around Whole Place and Your County, Your Way will be paramount in enabling our communities to make events happen in Monmouthshire.
- Deliver clear and measurable benefits to Monmouthshire in line with Your County Your Way, Monmouthshire's Destination Plan and complementary Council strategies and priorities
- Deliver a demonstrable return on public investment; create and enhance a strong sense of place, aligned to Monmouthshire's thinking of Whole Place delivery
- Support the development of a strong and sustainable events industry in Wales
- Strike a balance between attracting one-off major events, growing existing events and creating new events, position the Council as an effective partner of event organisers across the county.

Youth

Monmouthshire Youth Service manages and sustains statutory youth work and young people's counselling services, supporting young people to develop holistically by working with them through voluntary relationships to facilitate their personal, social and educational development. Through its participative nature, the Youth Service provides informal and non-formal learning opportunities for young people taking into account their needs and respecting their diversity. We are a central partner in youth support services, working together with partners to ensure young people receive their entitlements, develop their voice, influence and place in society as empowered individuals and members of groups and communities. The Youth Service works with young people aged 11-25 to support their holistic development, through provisions such as youth clubs and centres, outreach work, participation work and projects such as D of E, and our counselling / therapeutic service 'Face 2 Face'.

Appendix D - Asset Listing

Assets of service's proposed within the new delivery model



Leisure Services

Leisure services are based in 4 sites across Monmouthshire, providing a wide range of leisure and sporting activities for the wider community



Abergavenny Leisure Centre
Address: Old Hereford Road, Abergavenny
NP7 6EP



Caldicot Leisure Centre
Address: Mill Lane, Caldicot NP26 4BN



Chepstow Leisure Centre
Address: Welsh Street, Chepstow NP16 5LR



Monmouth Leisure Centre
Address: Old Dixton Road, Monmouth NP25

3DP

Outdoor Education

Outdoor Education is sited across 3 centres, 2 of which are owned by MCC. The service offers a range of outdoor activities for schools, youth groups and adults.



Gilwern OEC

Address: Ty Mawr Road, Gilwern, Abergavenny NP7 0EB



Hilston Park

Address: Newcastle, Nr Monmouth NP25 5NY



**Talybont is owned and maintained by Newport CC*

Address: The Old Station, Station Road, Talybont on Usk, Powys LD3 7YP

Attractions and Tourist Information

We have 4 sites to incorporate our attractions and promote tourist information and visit Monmouthshire. Our attractions offer some of the most impressive buildings with historical interest and activities to engage all ages.



Shire Hall, Monmouth

Address: 3 Agincourt Square, Monmouth NP25 3EA



Tintern Old Station

Address: Tintern, Chepstow, NP16 7NX



Caldicot Castle Country Park Depot

Address: Church Road, Caldicot NP26 4HT

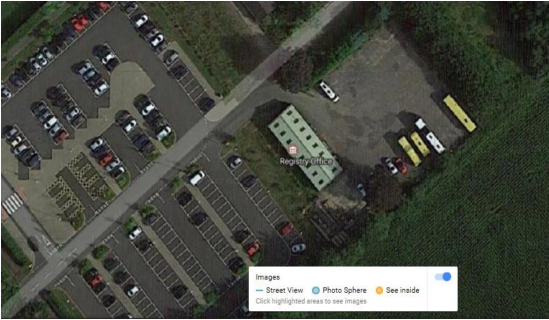


TIC Chepstow

Address: Castle Dell Car Park Bridge Street, Chepstow NP16 5EY

Countryside

Countryside services oversee a vast range of sites used for storage; house teams within Countryside and to provide outdoor experiences for residents



*Green Shed Countryside at County Hall Usk
(and open storage as the shared PSU depot)*



*Wye Valley AONB Offices on Hadnock Road
Address: Hadnock Road, Monmouth NP25 3NG*



Raglan Depot



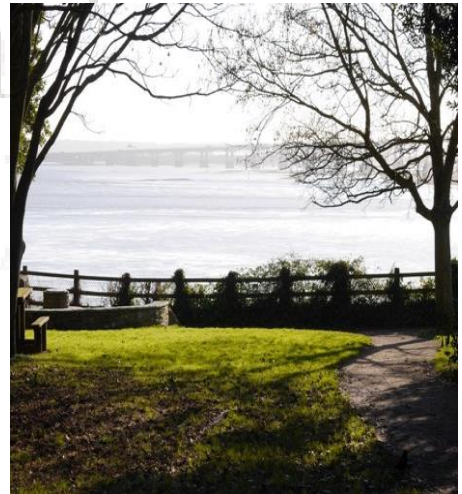
Castle Meadows



Clydach Ironworks



Warren Slade



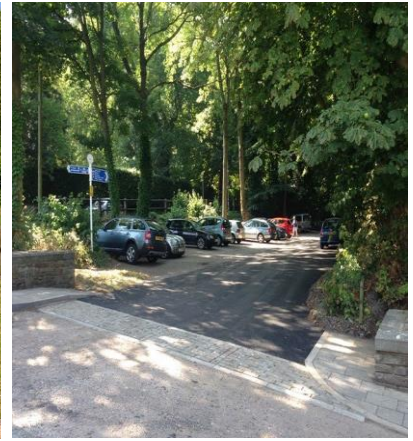
Black Rock



Rogiet Countryside Park



Tintern Abbey Furnace



Llanfoist Crossing

Youth Service

The youth service are sited within 2 buildings owned by MCC that are leased by local Charities. Together they deliver a safe place for young people age 11-25, to access specialist services, activities and enjoy their leisure time



***Attik Youth Centre**

Address: Rolls Hall, Whitecross Street,
Monmouth NP25 3BY

*This is leased by Monmouth Youth Project
Registered Charity 1069000 from MCC
on peppercorn rent



***The Zone Youth Centre**

Address: 1 Chepstow Road, Caldicot NP26 4HT

*This is leased by Caldicot Youth Group
Registered Charity 06178729 from
MCC on peppercorn rent

Appendix E – Possible Funding Opportunities (Not all available to Local Authorities)

Organisation	Fund Value	Grant Value (if known)	Deadline	Giving Notes	Links to Wellbeing and Future Generations Act Themes	Applications Notes
Awards For All (Big Lottery)		£500 - £5,000	Anytime	We will fund projects which support community activity, extend access and participation, increase skill and creativity or generally improve the quality of life of people in their area	1; 3; 5	
Bernard Sunley Charitable Foundation (The)	£3.1 million	Up to £50,000	Anytime	Focus on community, education, health and social welfare. Must be applying specifically for assistance towards a capital project. Will NOT fund running costs including salaries.	2; 4; 5	Must be a registered charity.
Big Lottery Fund		Up to £350k	Apr-17	Available for groups whose work will benefit a community with a population of 10,000 or less	1;2;3;4;5;6;7	
Charles Hayward Foundation (The)	£59.5 million	Up to £25,000	Quarterly	Main grant programme - social and criminal justice, heritage and conservation. Project costs and capital development.	2;4;6	2-stage process.
Clive and Sylvia Richards Charity Limited (The)	£997,000	Up to £250,000	Anytime	The charity focuses its support on education, healthcare, heritage, the arts, religious institutions and overseas educational and religious institutions. Provides support to charity organisations where they seek to be a catalyst to unlock other funding so	1;2;3;4;5;6;7	Already in discussions with museum service (strong interest in Nelson collection). Must be a registered charity.
Clore Duffield Foundation (The)	£5.8 million	Up to £500,000	Anytime	Supports cultural learning, creating learning spaces within arts and heritage organisations, leadership training for the cultural and social sectors, social care and enhancing Jewish life.	1;4;6	Must be a registered charity. Rarely funds staff posts.
Comic Relief	£99 million	Up to £10,000	3 times a year	Supports UK locally-based groups or organisations which have a clear understanding of local need in improving health and wellbeing of vulnerable and disadvantaged people.	1;3;5	

Organisation	Fund Value	Grant Value (if known)	Deadline	Giving Notes	Links to Wellbeing and Future Generations Act Themes	Applications Notes
Children In Need	£46 million	£10k to £40k	3 times a year – Jan; May and Sept	Support not-for-profit organisations that work with disadvantaged children and young people of 18 years and under who live in the UK, the Isle of Man or the Channel Islands		
DCMS Wolfson Museums and Galleries Improvement Fund		Up to £300,000	July	Aim to improve the quality of displays, exhibition spaces, collection interpretation and disabled access in museums & galleries	4;6	Must be a registered charity
Denza Robins Jones Charitable Foundation (The)	£268,000		Bi-Annually	Shows a preference for South Wales. Mainly supports medical and educational charitable causes which benefit the local South Wales community.	1;2;4;5	
Esmee Fairbairn Foundation	£34.3 million	Up to £50,000	Anytime	Aim to provide support to 'exceptional people with inspiring, workable ideas and organisations with latent or emerging models'. It states - "we are prepared to fund where others do not and to confront issues that are unseen or unacknowledged". Preference	1;2;3;4;5;6;7	Must be a registered charity. 2-stage process.
Foyle Foundation (The)	£5.2 million	Up to £50,000	Anytime	Support projects which facilitate the acquisition of knowledge and have a long-term strategic impact. Including: Museums, Libraries & Archives and projects which help generate additional revenue.	1;6	Must be a registered charity. Decision can take up to 4 months.
Garfield Weston Foundation (The)	£54 million	Up to £3 million	Anytime	This huge foundation makes about 1,500 one-off grants a year, typically for amounts ranging from £40 to £3 million. Areas of work: General charitable purposes with preference to education, the arts, health, welfare, environment, youth, religion and other	1;2;3;4;5;6	Must be a registered charity. Typically a one-year gift.

Organisation	Fund Value	Grant Value (if known)	Deadline	Giving Notes	Links to Wellbeing and Future Generations Act Themes	Applications Notes
Gwendoline and Margaret Davies Charity (The)	£104,000	Up to £30,000	Anytime	Donations are made to organisations which benefit the people of Wales and to other charitable organisations which are mainly Welsh.	1;6	Must be a registered charity.
HLF - Heritage Endowments Programme		Up to £1 million	Expected October 2017	Designed to build a strong and resilient future for heritage organisations and help them secure a regular source of annual income for the future in the changing economic landscape of reduced public funding.	1;2;3;4;5;6;7	2-stage process. Must provide 50% match funding through own fundraising.
Linbury Trust (The)	£7.45m	Upwards of £100,000	Anytime	Support is given to Arts (capital projects), Education, Museums & Heritage, Environment, Medical, and Social Welfare (particularly disadvantaged young and those living with dementia).	1;2;3;4;5;6;7	Must be a registered charity. Part of the Sainsbury Family Charitable Trusts.
Postcode Community Trust	£176,000	Up to £10,000 (Wales)	Expected May 2017	Interests: Community development and cohesion including support for young carers, relieving isolation, projects which enable volunteering opportunities to help regenerate communities	1;2	Must be a registered charity.
Monument Trust (The)	£74.6m	Upwards of £500,000	Anytime	Grants to: Arts & Heritage of regional importance (particularly economically depressed areas); Health and Community Care; Criminal Justice/Social Development.	1;2;3;4;5;7	Must be a registered charity. Part of the Sainsbury Family Charitable Trusts. Generally applications are invited by the Trustees.
Newbridge Charitable Trust			Anytime	Main focus is to charitable projects in Wales with purposes of advancement of education and training and; promotion of healthcare and relief of sickness.	1;2;3;4;5;7	Linked to Celtic Manor.

Organisation	Fund Value	Grant Value (if known)	Deadline	Giving Notes	Links to Wellbeing and Future Generations Act Themes	Applications Notes
People's Postcode Trust (The) - Small Grants Scheme	£1.7 million	Up to £10,000	Usually October for Wales region	Preference is given to initiatives that are 'focused on improving life for disadvantaged groups and encouraging their inclusion within society'. Welcome applications for projects that have a focus on sport, health, poverty, environmental improvement or hu	1;2;3	Must be a registered charity. Two funding rounds a year.
Peter de Haan Charitable Trust			Usually November	Supports organisations that aim to improve the quality of life for people and communities in the following three areas: Social Welfare, The Environment, The Arts. Trustees are keen to support substantial projects of more than £50,000 per year.	1;2;3;4;5;6;7	Must be a registered charity.
Peter Harrison Foundation - Opportunities through Sport Programme		Up to £25,000	Anytime	Supports projects which provide opportunities for people who are disabled or otherwise disadvantaged to fulfil their potential and develop personal and life skills through the medium of sport. Grants are usually made for capital projects.	1;3;4	Must be a registered charity.
Postcode Dream Trust - Dream Fund	£2 million		Usually September	Gives organisations the chance to deliver the project they have always dreamed of, but never had the opportunity to bring to life. Areas of work include: Sports; community development; environmental protection; health; human rights; prevention of poverty	1;2;3;4;5;6;7	Must be a registered charity. The lead partner in any application must have an annual income that is at least three times the amount being applied for. 3 - stage application process.
Simon Gibson Charitable Trust	£583,000	Up to £25,000 (average £5k)	March	Preference for East Anglia, South Wales and Hertfordshire. Previous beneficiaries' arts/culture focused.	1;6	Must be a registered charity.

Organisation	Fund Value	Grant Value (if known)	Deadline	Giving Notes	Links to Wellbeing and Future Generations Act Themes	Applications Notes
Trust House Charitable Foundation	£1 million	Up to 10k - £45k	On off payment	Community Support: For example: work with young people; community centres; support for carers; older people's projects; help for refugees; family support; community transport; sports projects; rehabilitation of ex-offenders; alcohol and drug misuse project	1;2;3;4;5;6;7	
Waterloo Foundation (The)	£5.9 million	Under £100,000	Anytime	Arts, Education and Heritage: For example: arts projects for people with disabilities; performance or visual arts with a clear and strong community impact; alternative education projects; supplementary teaching; heritage projects in marine or industrial a	1;2;3;4;6	No unsolicited approaches currently being accepted for Wales fund.
Wolfson Foundation (The)	£49.7 million	Upwards of £5,000 (often significantly more)	1 March & 1 September	Grants are a catalyst for capital projects which are currently underfunded. Aims to encourage merit in cultural and academic spheres. Projects under £15,000 not eligible.	1;2;67	Must be a registered charity. 2-stage application process.



monmouthshire
sir fyny

Appendix F – Scoring Matrix Options Appraisal Outcomes

Individual scoring of each workshop

Below is the summary of each team’s completed matrix.

	Criteria	Option 1: Doing Nothing	Option 2: Transforming the Service in House	Option 3: Moving the Services into an Alternative Delivery Model	Option 4: Outsourcing the Services to a Third Party
Staff from service areas	Weighted Score (out of 100)	28	60	67	36
Project Team	Weighted Score (out of 100)	25	52	76	44
TLCY Managers	Weighted Score (out of 100)	26	48	57	28
Elected Members	Weighted Score (out of 100)	28	54	74	40
	RANKING	3	2	1	4

The assist in scoring each participant was aided by a detailed description of each potential option available.

1. Doing Nothing

- A reduction in revenue budget to accommodate savings over the next four years at least
- Restructuring of service
- Increased burden in National Non Domestic Rates (NNDR)
- Investment streams may be severely limited
- Capital assets still maintained by the council
- Management control of the community assets remains with the council
- Decision making process long winded and at times cumbersome
- Invest-to-save projects compete with other council services for the finance available
- Potential for local priorities to take precedence over sport and leisure needs
- Cross department and partnership working very effective
- Potential use of prudential borrowing is an advantage

2. Transform in House

- A reduction in revenue budget to accommodate savings over the next four years at least
- Restructuring of service and re-targeting of resources
- Increased burden in National Non Domestic Rates (NNDR)
- Investment streams may be severely limited
- Capital assets still maintained by the council
- Management control of the community assets remains with the council
- Decision making process long winded and at times cumbersome
- Invest-to-save projects compete with other council services for the finance available

- Potential for local priorities to take precedence over sport and leisure needs
- Cross department and partnership working very effective
- Potential use of prudential borrowing is an advantage

3. Transfer to a new Alternative Deliver Model

- National Non Domestic Rates (NNDR) and (b) VAT – (a) savings can be substantial and reinvested in the service; (b) council's threshold for VAT could be improved
- Focus on sport and physical activity and Culture services
- Greater opportunities to develop/attract other income streams. Could lack economies of scale (this would become evident as part of an assessment exercise)
- Management can grow business outside of LA control – freedom from LA framework and decision making process
- LA can retain a degree of influence and indirect control - Loss of direct control and influence over services to an independent body
- Provides flexibility in terms of grant funding - Lack of ring fencing means the ADM reliant to a degree on uncertain grant funding
- Can promote community engagement and involvement - Can be difficult finding Trustees / Board Members with right skills and experience
- Can allow savings to be reinvested in services and facilities. Can be hard to attain investment in early years
- Authority may need to realise savings in back office support costs
- Improves the LA's partial VAT exemption position
- May open up alternative sources of investment - Reliant on existing management to develop this source
- Potential for more staff and community involvement and engagement – a number of trustees on the management group will be from the community. They may include people with successful business experience
- Can boost future 'not for profit' capacity in other service areas. Too much control by the LA can limit ability of the ADM to operate effectively
- Transfer of capital assets –for example through a long term lease agreement.
- A simpler regime for board members
- Likely to involve a quicker charitable status process thus opening up the benefits of rates relief at an earlier stage.

4. Outsource to a private sector operator or other non for profit operator

- National Non Domestic Rates (NNDR) savings may be made (if charitable organisation)
- Outsourcing protects resources by ring-fencing spending through a contract to an existing operator
- Low set up costs and lower support costs if an existing operator
- Focus likely to be on an increase in income – contract needs to stress council/community objectives.
- Access to external investment
- Economies of scale and access to specialist services
- Transfer of operating risks
- TUPE transfers can be expensive

- Ties LA into a medium to a long term contract which may be inflexible. Short term contracts would in all likelihood restrict investment
- Authority will need to realise savings in back office support costs
- Savings reduced but need to pay a management fee
- External investment can be expensive but a longer contract may enable more investment. It is likely though that the council may obtain capital investment at a lower cost
- Additional contract monitoring costs have to be taken in to account - the council would have to set up a monitoring group to oversee the contract
- A competitive procurement process would need to be undertaken – costs could be quite significant.



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Score 1 to 10, where 1 is poor, 10 is excellent

Title	Objectives	Weigh-ting %	SCORING 1 – 10			
			Option A	Option B	Option C	Option D
			Doing Nothing	Transforming the Service in House	Moving the Services into an ADM	Outsourcing the Services to a Third Party
Quality	The option will deliver the set quality standard agreed with stakeholders and has the ability to adapt and improve over time.	20				
Operational Efficiencies	The option presents a clear opportunity for driving operational efficiencies through expertise of management, economies of scale and a commercial outlook.	15				
Commerciality	The option provides enhanced long-term commercial viability for Culture and Leisure assets, based on skill sets, experience and sectorial understanding.	15				
Community	The option provides opportunities to engage with and benefit the wider community.	10				
Accountability and Governance	The option provides the council and community with a degree of transparency, flexibility and comfort over the ongoing delivery of the services and the council's interest in the services.	5				
Resources and Investment	The option provides for the effective utilisation of resources and investment to allow for the successful delivery of the services in a sustainable manner. This includes staff and managerial resources working together to realise the main organisations goals and objectives.	5				
Reputation & Political Considerations	The option is unlikely to present significant objections from the Council's stakeholders.	5				
Risk Management	The option provides opportunity to manage the relevant risks associated to service delivery.	5				

Education	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.	5				
Protection of vulnerable People	Supporting an active and healthy Monmouthshire and a healthy lifestyle through physical activity/ provision of a GP Exercise Referral Scheme. Youth counselling service / training programmed for Volunteers	5				
Supporting Enterprise	Raising profile of Monmouthshire / attracting visitors/ links with local businesses	5				
Maintaining Locally Accessible Services	Full range of services in towns, investing in buildings/ attracting greater visitor numbers	5				
		100				

***Please total up your columns

Can you please give some reasons on why you have opted for the model that has scored the highest?

Appendix G - Option Appraisal Workshop

Date of workshop	List of representatives / departments etc.,
22 nd November 2016	Members of the project team (5 in total)
25 th November 2016	Four groups of staff members from the service areas (26 staff in total)
14 th December 2016	A number of Members completed the matrix at the Members seminar (4 in total)
6 th February 2017	All of TLCY Managers completed the matrix (8 in total)

Background

Workshops were held with representatives of the Project Team and officers from MCC. Individuals had previously been briefed regarding the project background, including the Future Monmouthshire vision, the four proposed options as well as the specific scoring criteria. The objective of the workshops was to score each of the possible service options, based on the predefined criteria and weighting. The criteria and weighting had been previously approved by the project team. After this scoring process it was intended that the group would reach a consensus decision on the preferred option.

Scoring Process

Workshop participants were split into groups and each group scored each criteria for each of the four different service options. Scores were allocated from 1 to 10, with one being poor and 10 being excellent. Each group explained their rationale for each score they allocated. These were collated and summarised in the narrative below. Scores were collated and averaged and have been summarised below.

Results From the analysis it is clear that option 3, the transfer to a new ADM was the favoured option as outlined in Appendix F.

As part of the workshop and scoring matrix, participants gave reasons why they had opted for the model that scored their highest score. Here are some examples:-

- An ADM will give us opportunity to develop and communicate clear business goals / objectives to focus resources and activity.
- An ADM offers the best mix of local accountability, efficiency, and the ability to increase speed of decision making.

- The ADM I think gives us the greatest opportunity. An outside provider can do almost as much but will have a profit element for its shareholders .They may well be able to draw in extra investment but at a cost overall.
- We cannot not do anything, services are struggling now so we need a chance to be able to sustain and grow again in the future. Although in-house is a good option, an ADM will provide the most secure option for the future.
- I opted for the ADM as my preferred model as it met all the criteria for establishing a successful viable entity for the services in the future. It also still meets the key objectives of MCC.

Conclusion

It was agreed that the ADM is the preferred option from this qualitative analysis and will be taken forward on the outline business case.



Appendix H – ADM Company Structure

	Company Limited by Shares (CLS)	Company Limited by Guarantee (CLG)	Charitable Incorporated Organisation (CIO)
<i>Suitable for?</i>	Trading Company/Local Authority Teckal company	Trading Company/Local Authority Teckal company/Charity	Charity
<i>What is it?</i>	CLGs have a “share capital”, which is a nominal figure used to represent the total net assets of the company. Shares are issued to shareholders, who become the owners of the company. The shareholders’ potential liability is limited to the amount of their investment.	CLGS do not have a share capital and the members give a nominal guarantee to cover the company’s liability, normally limited to £1. By not having a share capital, CLGs do not have the inbuilt “for-profit” framework that CLGSs do (which allow investors in the company to receive a return on their investment). CLGs are traditionally associated with charities, trade associations and not-for-profit companies. CLGs are owned by its ‘members’ as it does not have ‘shareholders’.	CIOs are corporate bodies designed specifically and exclusively for charities. They are an alternative to charitable CLGs, charitable trusts and charitable unincorporated associations.
<i>What are the criteria and constitution ?</i>	Cannot be charitable. <u>Constitution:</u> The rules of the company are contained in the Articles. The Memorandum records the initial shareholders of the company which is updated with each annual return.	The organisation must be limited and cannot declare dividends to members, but other forms of distribution may be permissible, depending on the Articles. <u>Constitution:</u> The rules of the company are contained in the Articles. The Memorandum records the initial members of the company which is updated with each annual return.	Cannot distribute profits to members or shareholders. Must apply its assets to carrying out its charitable purposes. <u>Constitution:</u> Constitution must be in form specified by Charity Commission (Association or Foundation CIO).
<i>Power structure</i>	Two-tier consisting of: a small group of individuals responsible for the day-to-day running of the organisation (the Board of Directors) ; and Shareholders (who may or may not be the same people as the Board) which hold the Board to account. Shareholders have a number of fundamental powers: in particular, the power to dismiss the board and to change the constitution.	Two-tier consisting of: a small group of individuals responsible for the day-to-day running of the organisation (the Board of Directors) ; and Members (who may or may not be the same people as the Board) which hold the Board to account. Members have a number of fundamental powers: in particular, the power to dismiss the board and to change the constitution.	Two-tier consisting of: Charity trustees (responsible for day-to-day running of the organisation); and Members. Trustees and Members can be the same people but do not need to be.

	Company Limited by Shares (CLS)	Company Limited by Guarantee (CLG)	Charitable Incorporated Organisation (CIO)
<i>What are the obligations?</i>	Companies Act 2006 plus associated regulations. Regulated by Companies House.	Companies Act 2006 plus associated regulations. Regulated by Companies House. If a charity – the governing docs must be approved by the Charity Commission.	Single registration with the Charity Commission. Less onerous requirements for preparing accounts – small CIOs prepare receipts and payments accounts and larger CIOs prepare accruals accounts. Less onerous reporting requirements – only prepare an annual report (companies have to prepare directors report too). Only one annual return.
<i>Tax Incentives</i>	Corporation Tax.	Corporation Tax. No special tax treatment unless registered as a charity with the Charity Commission. Charities potentially benefit from the following tax advantages:- no corporation tax to pay on surpluses; exemption from SDLT; and partial exemption from business rates (with potential for discretionary relief for the remainder.	Charities potentially benefit from the following tax advantages:- no corporation tax to pay on surpluses; exemption from SDLT; and partial exemption from business rates (with potential for discretionary relief for the remainder.
<i>Flexibility of activities</i>	Anything (best interests of company).	If non-charitable, anything, but usually objects are for the benefit of the community in some way. If charitable – activities must be charitable or pose no significant risk to charitable assets.	Must be charitable in law.
<i>Portability of Assets</i>	No prohibition.	No prohibition unless a CIC or charity (in which case cannot usually distribute assets to members and, if charitable, must be used for charitable purposes).	Restricted – CIO has power to do anything which is calculated to further its purposes or is conducive, or incidental, to doing so and assets must be applied in accordance with the constitution.
<i>Extraction of Profits</i>	Shareholders usually entitled to dividends.	No 'shareholders' so no dividends. Profits cannot be distributed to members if a charity.	Restricted – CIO income must: 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.
<i>What are the benefits?</i>	Usual governance structure for commercial organisations or	The structure is simple and the law underpinning the	Likely to be fine for smaller funders.

	Company Limited by Shares (CLS)	Company Limited by Guarantee (CLG)	Charitable Incorporated Organisation (CIO)
	<p>trading/development subsidiaries.</p> <p>Limited company can provide 'financial assistance' to other members of a group structure. Very familiar structure for funders.</p> <p>Limited liability – directors are protected (unless they have acted fraudulently or continued to run the company when it is insolvent i.e. 'wrongful trading'). Shareholders liability limited to investment.</p>	<p>organisation (Companies Act 2006) is well known. CLGs are widely recognised and understood as a governance structure, particularly for charitable organisations. If registered with the Charity Commission it obtains a 'charity number' which is often required for funding and grants.</p> <p>Limited liability – directors are protected (unless they have acted fraudulently or continued to run the company when it is insolvent i.e. 'wrongful trading'). Members' liability limited to guarantee amount (usually £1).</p>	<p>Less onerous than charitable CLG as only registered with Charity Commission.</p>
<i>What are the disadvantages?</i>	<p>Directors feel under pressure to prioritise profits.</p>	<p>Members cannot be financially rewarded through dividends. May limit funding options as shares cannot be issued to investors.</p>	<p>Restricted membership. Trustees can only be remunerated for expenses and issues regarding payment of salaries.</p> <p>There is no register of charges held by the Charity Commission (equivalent to that maintained by Companies House for companies) due to lack of capacity of the Commission. This will mean that funders offering more substantial sums (where they want to take a legal charge as security) will be put off.</p>

Source – Anthony Collins Option Report

Appendix I - State Aid

In circumstances where the resources of a Member State are used to give some form of advantage to an organisation, there is the potential for there to be State Aid. Where there is State Aid then the ultimate sanction is for that assistance to be repaid plus interest.

In most transactions State Aid issues are usually avoided by either;

- everything being transacted at a market value or,
- given the local nature of the services, not all of the State Aid tests are met in any event or,
- the possibility of the services constituting Services of General Economic Interest (“**SGEIs**”) In this case, if MCC is proposing a grant arrangement, then this may constitute a form of State Aid and so the potential for State Aid to arise does need to be assessed.

There is the potential for State Aid in each of the following situations relevant to MCC and the ADM:

- any sale of land at an undervalue to the ADMs;
- any grant provided by MCC to the ADMs;
- any services offered by MCC to the ADMs at no cost or at below market rates; or
- Any assets transferred from MCC to the ADMs at no cost or at below market rates.

In terms of any proposed sale of land, the European Commission has issued a ‘Communication on State aid elements in sales of land and buildings by public authorities’ (OJ C209, 10/07/1997). In order to definitively avoid State Aid, the Commission expects there to be either:

- A bidding procedure “comparable to an auction” which must be “sufficiently well-publicised, open and unconditional.” The logic here is that the winning bid must equate to market value; or
- Independent expert evaluation to determine the market price “on the basis of generally accepted market indicators and valuation standards”. If there are any special obligations relating to the land (as opposed to the purchaser) then this can be taken into account in assessing the market price.

The wording of the Communication refers to “sale” of land or buildings, rather than other disposals such as by way of lease or licence. However, it is suggested that it would cover other sorts of disposals such as leases. Therefore, any other disposal where the price paid is less than market value may be seen as State Aid. The best way, therefore, to avoid possible risk of State Aid is to ensure that the ADM is paying a market rent for its use of the premises or, if there is to be a freehold disposal, that it is paying the market price.

Several of previous agreements restrict MCC from transferring the freehold of various properties as well as the granting of any leaseholder interest. If MCC is able to and decides to grant a lease and charge market rates for the reasons stated above, it would be legitimate for the ADM to take account of these kinds of costs in assessing the price it should be paid for the Services. The overall effect would therefore be costs neutral, or at least close to it.

In the context of private business, the market rates charged include an element to cover overheads such as rent, and the ADMs should be entitled to do the same. In this way, MCC may be charged certain amounts each year for the Services but, will receive some of this back again by way of rent.

To the extent that MCC is to provide (even on a temporary basis) support to the ADM by way of back-office functions such as HR, payroll and IT, then the ADM should pay an appropriate rate for these services. This is for the same reasons as set out above in relation to market rents. Again, it would be appropriate for the ADMs to take account of these overheads when agreeing the fee for the Services, as set out above.

Source – Anthony Collins



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Appendix J – Main VAT considerations when Local Authorities Outsource Provision of Services to Charities

Background VAT Issues

VAT is charged on most “business” transactions in the UK where the supplier is registered for VAT. A supplier who is not registered for VAT does not charge VAT. For VAT purposes a transaction is a business transaction if the buyer pays the supplier money, or gives the supplier some other benefit of value, in direct exchange for goods or services. Neither the buyer nor the supplier need be a business in the commercial sense for the transaction to count as a business transaction for VAT purposes. A transaction in which a public body buys a service from a charity, is a business transaction for VAT purposes.

A donation to a charity is not a business transaction for VAT purposes:

- If the charity does not give the donor any benefit of value in direct exchange for the donation; and
- If the charity does not give a third party any benefit of value in direct exchange for the donation; and
- Provided that the donation is not subject to any conditions other than conditions imposed to ensure that the use of the donation is properly accounted for.

Similarly, a grant to a charity is not a business transaction if it meets those criteria. When a “grant” is referred to it means a grant which meets those criteria and is therefore not a business transaction for VAT purposes.

VAT is a tax whose burden is meant to fall on the final consumer of services. The final consumer pays VAT on the price of services which it buys and cannot recover the VAT that it has paid. The organisation which sold the services to the final consumer, while it is liable for VAT on its costs attributable to preparing and delivering the services, is allowed to recover the VAT for which it was liable on those attributable costs, thus escaping the tax burden.

The main exception to this rule is where the services sold to the final consumer are exempt from VAT. In that case, the final consumer does not pay VAT on the purchase. The organisation which sold the exempt services to the final consumer is still liable for VAT on its attributable costs, but this time – because the services it has sold are exempt from VAT – it is not allowed to recover the VAT for which it is liable on its attributable costs. In this case the burden of the tax – by way of “irrecoverable VAT” – falls on the organisation supplying services to the final consumer, not as a direct charge to the final consumer.

Although the range of services which are exempt from VAT is limited, a number of exempt services – such as social welfare care and medical services, the care of children and the elderly, and education – are commonly provided by charities. In providing exempt services charities do not charge VAT but equally cannot recover the VAT for which they were liable on their attributable costs. The burden of the tax therefore falls on charities when they provide exempt services.

Public bodies, even when they provide the same exempt services as charities, are treated differently from charities for VAT purposes. Most services provided by public bodies are entirely outside the scope of VAT, which means that they do not charge VAT to the final consumer of their services. But, unlike charities, public bodies have a right to recover the VAT for which they were liable on their

attributable costs. Section 33 of the VAT Act 1994 gives that right to local authorities and to some other specified public bodies in respect of all their non-business activities. Section 41 of the same Act gives that right to Government departments and NHS bodies for a more limited range of contracted-out services. These statutory rights of recovery are intended, among other things, to prevent VAT from acting as a disincentive to public bodies to outsource services.

What are the VAT implications of different funding methods?

When a public body outsources a service to a charity there are essentially two different funding methods available to the public body to finance the service:

- by grant-funding the charity - *this is not a business transaction for VAT purposes*
- By procurement under a contract for service – *this is a business transaction for VAT purposes.*

The VAT position, and the differences from a charity's point of view in the VAT position as between grant funding and procurement, are as follows.

A grant by a public body to a charity is not a business transaction for VAT purposes. That being so, the charity is not making any taxable supply to the public body and there is nothing on which VAT could be payable by the public body. The public body, therefore, does not have to budget for paying VAT on the amount of the grant. However, because the charity is not making any taxable supply to the public body, the charity is not entitled to recover any VAT for which it is liable on its attributable costs. The charity will have to bear the cost of the irrecoverable VAT and should take that into account when budgeting for its service and deciding how much grant money to apply for in the first place.

Procurement by a public body of a service from a charity under contract is a business transaction for VAT purposes. Where the service is subject to VAT (i.e. is not an exempt supply) the public body will pay VAT on the purchase price of the service. It will normally then be able to recover the VAT under its statutory right of recovery (see para. 7 above). Equally, the charity will be able to recover the VAT for which it is liable on its costs attributable to the service. Where the service is an exempt supply, however, the public body will not pay VAT on the purchase cost of the service, but neither will the charity be able to recover any of the VAT for which it is liable on its attributable costs.

From a charity's point of view, *where all other things are equal* a procurement arrangement leading to a contract for the provision of the service is more VAT-efficient than a grant arrangement where the charity is providing a service which is a taxable supply. Where the supply is exempt there is no effective difference between grant and contract – the VAT costs of the charity are equally irrecoverable, and there is no VAT for the public body to recover under the special recovery rules.

	Grant-funding	Procurement
Taxable service	There is no taxable supply because the grant is not a business transaction. The charity incurs irrecoverable VAT on its attributable costs.	The public body pays VAT which it will usually be able to recover under its statutory right. The charity can recover VAT on its attributable costs.

Exempt service	There is no taxable supply because the grant is not a business transaction. The charity incurs irrecoverable VAT on its attributable costs.	The public body pays no VAT. The charity incurs irrecoverable VAT on its attributable costs.
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Source: Charity Tax Group – Grants and Contracts: Outsourcing by public sector bodies: VAT implications for charities



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Appendix K – Risk Register

Risk	Impact	Probability	Mitigating Actions / Notes
Failure of ADM to achieve financial targets	High	Medium	Draw up business plan in conjunction with existing management and independent consultants
Delays in agreeing support service arrangements with MCC	Medium	Medium	Need to identify staff and time currently allocated to supporting existing services - Central Finance to work on reviewing allocation methodology
Length of process	Medium	High	Meet our deadlines, ensure relevant officers are aware of deadlines
Reduced Political Interest	High	Medium	Need to ensure effective client relationship and reports to Councillors on performance / regular meetings / member workshops
Reduced Financial support in future years	High	High	Adjustments to SLA / alter level of service in line with reduced budget.
Poor Quality Performance by ADM	High	Medium	Performance to be monitored and controlled - monthly by ADM Board and set of KPIs. Regular report to MCC. Client staff needs to be retained by Council to plan future service requirements and to monitor ADM's performance
Inability to recruit board trustees	High	Low	Need to establish process for establishment of shadow board significantly prior to go live date
Lack of experience within the ADM to operate effectively as a business	Medium	Medium	Recruit Board members with expertise and commitment, particularly Chair. Learn from other ADMs/ Trusts. Ensure have effective business support arrangements in place. Need to demonstrate VFM.
Problems with TUPE and other employment issues	High	Medium	Need to have implementation plan - need significant time for consideration of TUPE and other employment considerations. Need to include consideration of existing staffing structures and likely impact of transfer to ADM. Need to involve MCC Personnel / Unions
Increased costs associated with set up of Trust	High	Medium	Trust business plan needs to incorporate detailed breakdown of anticipated costs. Who is MCC's project champion?
Condition Surveys	High	High	The trust requires updated surveys. The Head of Property Services will collate existing condition surveys, identify any substantive works since their production and identify gaps. A programme to complete a tender process and survey properties to ensure due diligence is addressed is in progress to mitigate this issue.

Risk	Impact	Probability	Mitigating Actions / Notes
Failure to achieve charitable status	High	Low	Early engagement needs to take place with Charity Commission for implementation including corporate governance structure as well as refinement of the appropriate Article of Association. All trusts set up be councils have gained charitable status.
Unable to Secure NNDR Relief	High	High	The project team has engaged with the Rates Section and Assessor at an early stage of the process. Based on the project team's review of the properties, no issues are anticipated. This is, however, extremely unlikely given the importance of this relief to a vast diversity of charitable organisations.
Financial benefits lost because of change in government policy on NDR relief	Low	High	No indication of desire to change current policy. Should the policy change in future the cost of the services would be no greater than if it remained in house
HMRC Ruling on Approach to VAT	High	Medium	We will continue consultation with HMRC to proactively address this issue.
Not achieving VAT savings or vat liability greater than expected	Medium	Medium	Advice from VAT Consultants
Challenge in relation to State Aid / Procurement	Low	Low	Providing the Services Agreement between the Council and an ADM is structured in a manner which reflects the principles (including the level of payments under the services agreement being similarly in line with these principles), Anthony Collins to advise
Due Diligence uncovers property Issues	High	High	An early start to property review has commenced and regular updates to inform on progress will be provided to the Board to enable action to be taken to address any issues arising.
Stakeholders do not support ADM	High	Low	Consultation has taken place with staff, community organisations /groups and the public and feedback has been largely positive. Any concerns raised throughout the consultation will be addressed and are included in section six. Following any decision by members, further engagement will take place with all aforementioned groups on the requirements for the implementation phase.
Benefits of Integrated approach lost if some services are transferred to ADM and some remain with MCC	Medium	Medium	Could produce fragmented approach to delivery and ineffective strategic planning (think Youth - Education team)

Risk	Impact	Probability	Mitigating Actions / Notes
Trade Union & Staff Opposition	Medium	Medium	Trade Unions oppose out-sourcing of services. Will work with MCC but need to be assured on protection of terms and conditions. Some staff anxious about change - provide regular briefings to staff / answer questions etc.
Lack of capacity to complete all the work required in setting up a trust	Medium	Medium	Project Manager - to oversee establishment of trust. Could use external expertise but there are cost implications
Business Case being ready in time and fit for purpose	High	High	Limited resources, additional changes required by MCC Senior Management Team
Withdrawal of Grant Funding	High	Medium	There should be a lengthy consultation period which would mean that plans could be made to assess the impact of the funding withdrawal and reduce resources/ make changes to the staffing structure
Need to recruit to specialist positions	High	Medium	Likely to recruit from the market
Business Resilience (loss of staff)	High	Medium	Up to date policies and procedures, role sharing / knowledge transfer
Business Continuity	High	Medium	Develop Business Continuity Plan
Contract with MCC - Lack of flexibility inhibits commerciality	Medium	Medium	Negotiation with MCC

Appendix L - Engagement

Employee Engagement

Our staff are at the heart of delivering a genuine, personalised experience wherever they are sited within the organisation. We will engage and enable them to anticipate what the customer will want next, not just now, which will give us a competitive advantage in the future.

At the core of any successful organisation is a motivated, engaged and focussed workforce. The challenge that we is facing is considerable and our plan sets out a clear people engagement process. The employees are the most valuable asset the business has, all successful business understand this and put them at the centre of everything they do.

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 happen through varying formats to ensure all are able to have an input at each stage.

- Staff engagement meetings (using key messages, encouraging everybody to open up and speak honestly about the need to change, recording the key messages and feeding back to team members afterwards) Engage with Senior staff to ensure they are clear about timetable and future actions (as much as possible)
- Team meetings
- One to ones where required, held at the convenience of the team members in the most cost effective way
- A questions box where people can leave written questions
- Open drop in sessions
- Blog; regular newsletters; posters
- Ensuring the team responsible for this task are visible and easily contactable by phone, e-mail
- Ensure all levels and teams are able to access all information
- Create an ambassador group from all levels and parts of the organisation and enable them to be the positive voice of change with colleagues.

Community / Service User engagement

Engaging community and service users in our work is a powerful force for positive change and improvement. By focusing on people in all we do, we can ensure the services they access can be sustained, improved and meet the needs of users.

Engagement must be an integral part of the mainstream processes of agencies, especially strategic and service planning and it must be owned by all staff. This may involve making changes to the way we deliver our services. It must be clear from the start what is 'on offer'. Engaging with our communities and service users means involving them at the earliest stages in the planning of services and projects, rather than simply consulting them once the decision has been taken.

For service users, communities, our partners, voluntary groups and networks, it is important to demonstrate that we:

- value people at the heart of everything we do

- are true to our mission and values, to be the recognised organisation which drives the delivery of world class, 'person-centred' leisure and wellbeing services for the people of Monmouthshire
- ensure all groups are engaged with, in particularly the most marginalised groups and ensure engagement is appropriate
- continually seek out innovative opportunities to ensure high quality services for every person, every time
- continue to engage people with lived experience of the tourism, leisure, culture and youth services, learning from such experience in order to improve

Service user engagement will happen through a variety of formats to consider the varying needs of our communities in Monmouthshire. (Appendices B, C & D gives a detailed overview).

- Surveys in different formats – paper; online
- Face to face discussions in prominent positions in our communities to engage with people and listen to their views, ideas to assist us in providing the right services
- Focus groups for specific specialist service areas
- Through existing partnership meetings to ensure reduced consulting with community members
- DVD made by service users on 'What Matters' to them regarding the services they access.

Internal engagement

As part of the internal engagement, we have ensured that all relevant colleagues from within Monmouthshire County Council have been involved. At each stage of the process we have accessed support from colleagues in Legal, Human Resources, Economic Development, Finance, Organisational Development, Estates and Property Service. We have also regularly met with officers within the Senior Leadership Team.

Throughout the process we have been afforded support, expertise, resources and at times have acted as a critical friend to challenge and scrutinise each stage of the process.

Visual representation from our Engagement with service users and staff

Results of the 'What Matters' exercise carried out with service users during August 2016
<https://www.youtube.com/watch?v=XsyohXe7muc&feature=youtu.be>

What looks good to staff members?

<https://www.youtube.com/watch?v=XsyohXe7muc>

County, Town and Community Council engagement

It is vital that we engage with our elected members throughout this process and ensure that they are supplied with factual, relevant information at all stages. This process is embedded within the political procedures of the local authority, and through shared vision, ensure our 4th priority of 'maintaining our locally accessible services' is adhered to. (Appendix E gives more detailed overview).

Member engagement will happen through the following channels:-

- Member representative meetings
- Member Seminars

- Joint Select Committee meetings
- Community and Town council meetings
- Email updates
- Newsletter
- DVD's created by service users and staff to show 'What Matters' to them about the services they access/deliver

Trade Union Engagement

We will ensure that we inform/consult with our employees through "appropriate" elected representatives and recognised Trade unions.

We will ensure that all Trade Union representatives are engaged in the process at each stage, and are able to feed comments into papers where decisions are to be made. We are aware of our statutory responsibilities under TUPE and will ensure that employees have the appropriate representation undertaken in the future when required. (Appendix F gives a more detailed overview).

Trade Union engagement will happen through the following channels:-

- Informal Trade Union meetings
- JAG monthly meeting
- Invitation to attend staffing events
- Email updates

Partner Engagement

Our partners will be key to galvanising our success within local communities. Many partners already work in harmony with the services and we will be seeking their views throughout the process. We will also be seeking new relationships with additional partners. (Appendix G gives a more detailed overview).

Partner engagement will happen through the following channels:-

- Open meetings
- Newsletter
- Attending partner meetings to share the process on an ongoing basis

Continual Future Engagement

We are fully aware that we will be required to carry out additional engagement as we go through this process. Engagement will be crucial to ensure that we get the right services and involve all necessary stakeholders at relevant milestones.

Many of our services have previously engaged with their service users. This information is held in several places and in different formats. The information is currently being gathered and analysed to establish the key themes that are important to us as a services and our users.

This information will be fundamental to enable us to benchmark services going forward; highlight areas of growth; decline and change. Through further engagement with staff, we will discuss what information could be useful to inform future processes. We can therefore ensure that future services are built on sound information and we are providing an offer that is the optimum one for our service users.

Future engagement will also include:

- Ensuring that all external stakeholders are kept fully engaged in the process.

- Ensuring that we continue to identify future audiences e.g. schools; Governing bodies, partners and businesses.
- Dedicated marketing and communications team to assist
- Clear messages will need to be created on why we will need to change and how change will bring new opportunity and better, localised services to our communities
- A video will be created to be an ideal communication vehicle to communicate the need and reasons to change to our stakeholders



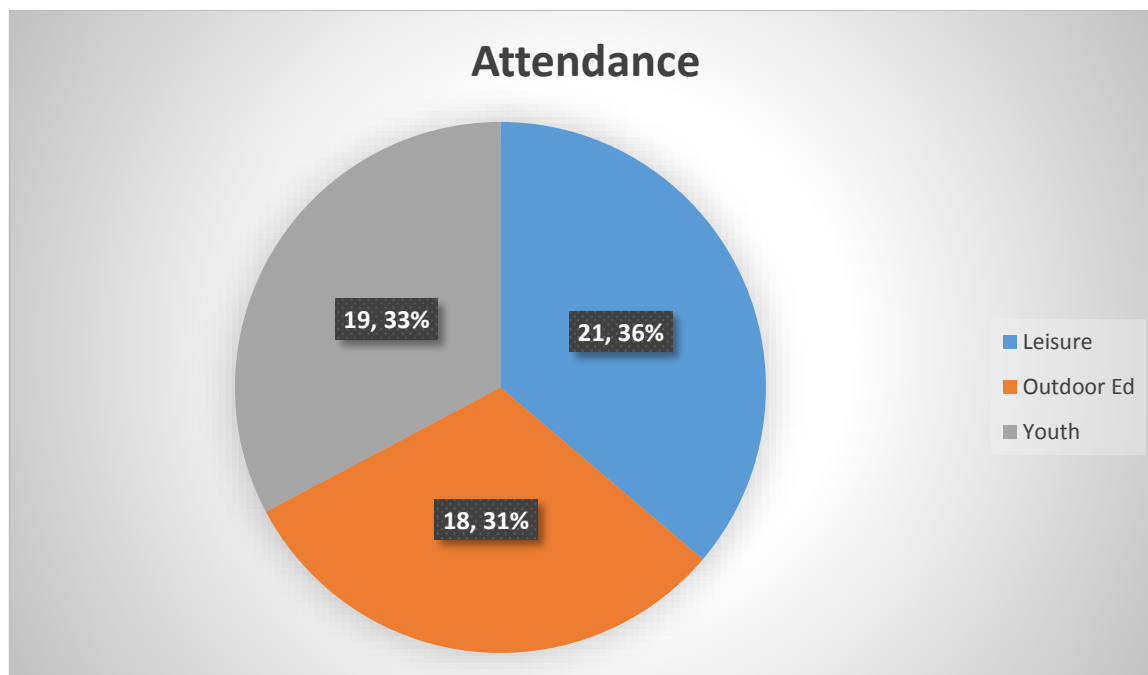
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Appendix M - Findings from Engagement Events across all stakeholders

Staff Engagement

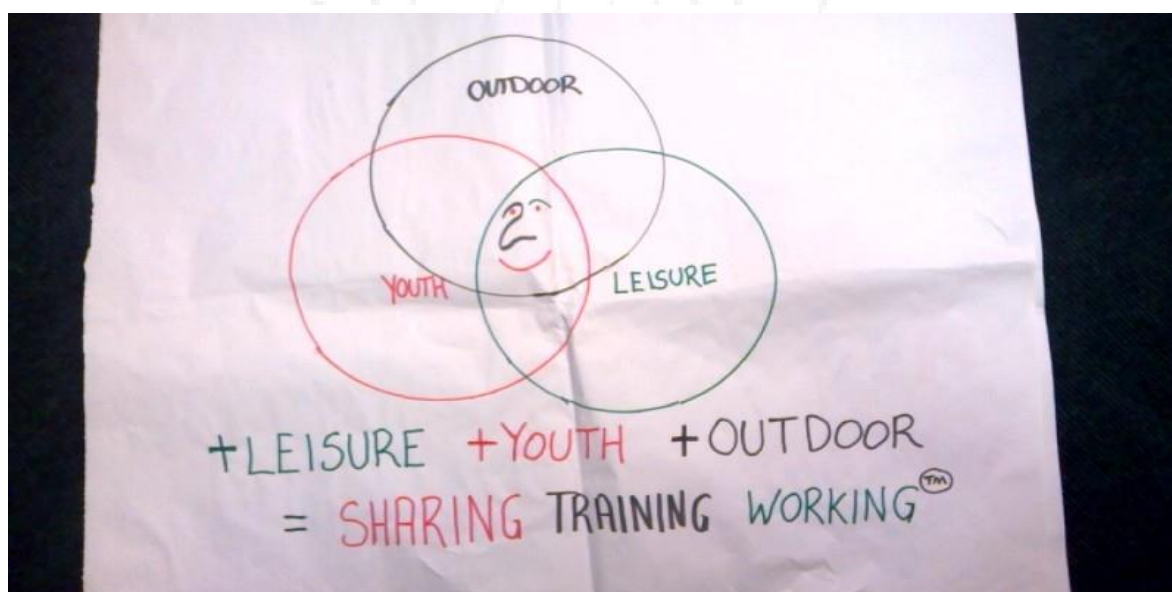
On 15th December 2015, Leisure, outdoor education and youth service staff were brought together to share their knowledge and offer of their individual services; identify synergies and duplication and to agree ways forward through collaboration.

58 staff attended and represented those staff who were unable to attend due to operational duties.



Presentations resulted in staff understanding each other service area better and were then informed to carry out an exercise to identify synergies; duplication and opportunities.

An example of one of the outcomes of this exercise:-



A 'What Matters' exercise was conducted with those present to ascertain anxieties and queries; to give an opportunity for responses to be given where appropriate and for staff to feel heard and able to express their views throughout the process in a safe manner.

Top 10 statements made by staff in regards to the process and communication

1. Communication is vital
2. Open and honest
3. Transparent
4. Be told the truth
5. To be involved in the process
6. Use simple language
7. Being listened too
8. Being kept in up to date
9. Getting staff together often
10. Being consulted

Top 10 statements made by staff in regards to jobs and service delivery

1. Keep my job
2. Not losing quality of service
3. Sustainability
4. Pensions and T&C remain same
5. Don't lose identity
6. Work together
7. Fit for purpose services
8. Keeping customer happy
9. Staff cuts
10. Services are protected

Top 10 statements made by staff – miscellaneous

1. Get it right
2. How long will this take
3. Who decides outcomes?
4. Jobs
5. One team
6. Joint decisions
7. No lip service
8. Ensure it's feasible
9. Well-being of staff
10. Opportunities for us in the future

The statements made by staff present were vital to our next steps and ensuring that staff felt part of the process. Communication is key for everyone involved.

To assist in the communication to staff and others, we engaged Change Ambassadors. Change Ambassadors are volunteer representatives from each service area who meet regularly and act as the two-way communication channel with staff and the new Delivery Model project team. The Change Ambassadors group have worked with the project team to:-

- Act as champions in promoting the progress of the new Delivery Model project within their service areas by ensuring that progress is regularly reported back to colleagues

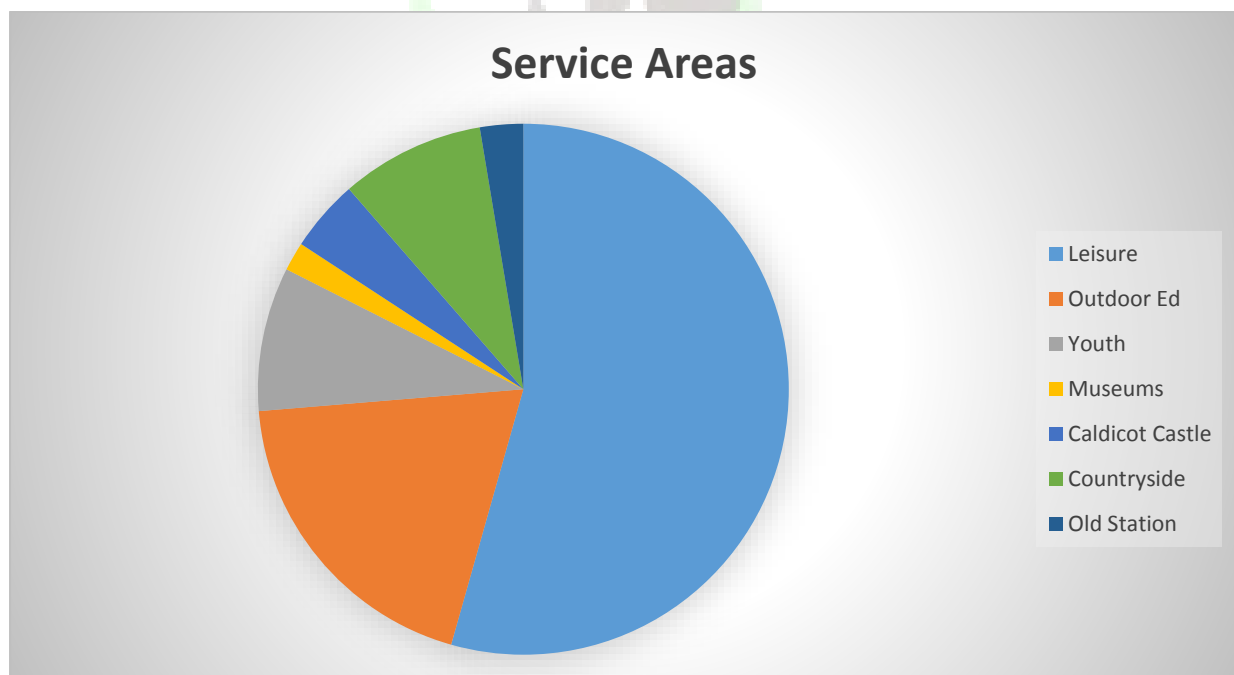
- Ensure the engagement with staff and volunteers is two-way, direct, transparent, open and easily understood.
- Ensure staff and volunteers feel included, listened to, valued and involved in the change process
- Ensure feedback from staff and volunteers is shared with the new Project Model team as necessary
- 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.

Staff Engagement Event - 25th November 2016 As we reach the next stage in the process of presenting the options for a new delivery model, we are mindful that staff are continually engaged and involved. Staff are the largest asset we have and to date, have evidence from both staff and service users that without our staff, services would not be delivered to the high standard they currently are.

The staff events were held in Chepstow Leisure centre and County Hall respectively. 113 staff from across TLCY and youth services attended the sessions, along with colleagues from HR and Union representatives.

The makeup of the services in attendance are as follows:



The purpose of the sessions were to share with staff work completed to date; an opportunity for staff to ask questions; to share presentations of each service area and to start shaping the values and vision to enable working collaboratively in the future.

At the beginning of the session and again at the end of the session, we ran a quick visual exercise to gauge how staff were feeling in general. The grading being 5 = fantastic, 1 = not good. There was an encouraging shift in the bins from the beginning of the day to the end of the day with staff being more positive than initially at the start of the day.

Before Shot

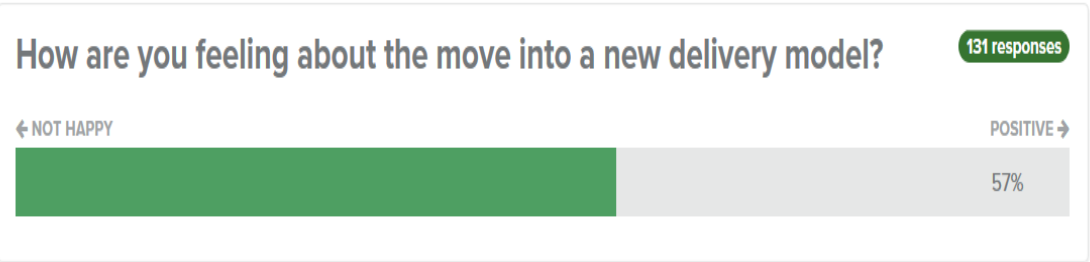
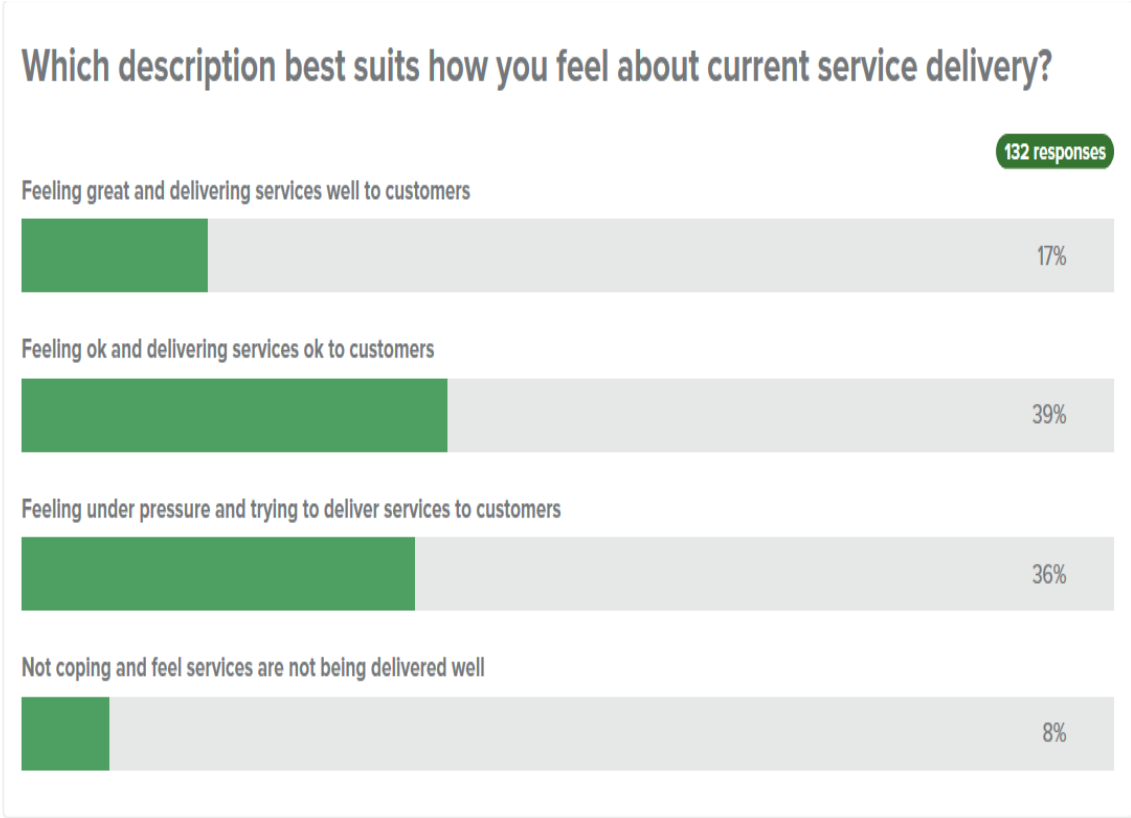
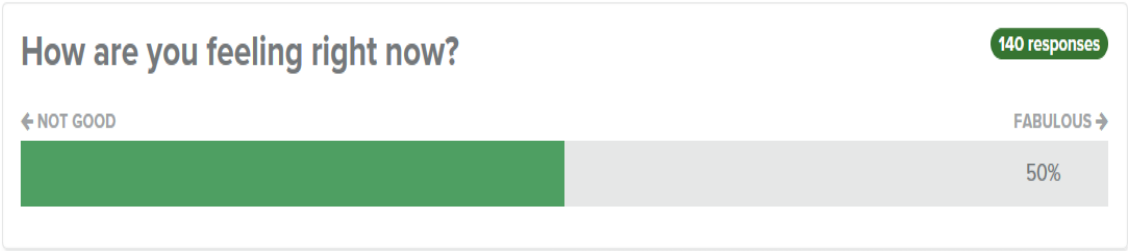


After Shot



We are mindful of supporting staff at this ambiguous time is a priority, and to ensure that we listen and act on concerns raised, we ran a live poll (Doo Poll) for staff to share anonymously their thoughts and feelings on current and future working. Whilst there were no significant concerns, it was apparent that not all staff are managing currently with the existing pressures of service delivery, however many more are more positive about the future.

Big Conversation with staff Live Results



How effective do you feel communication has been over the last year?

131 responses

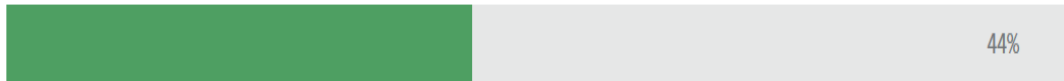
Really good



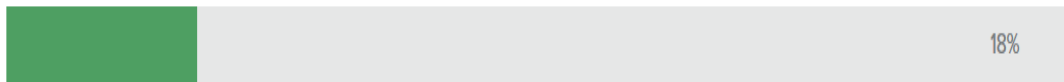
Good



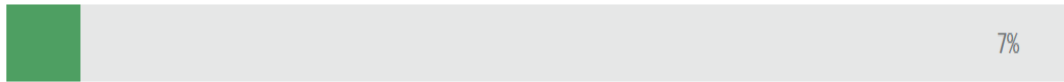
Ok



Poor



Really poor



How motivated are you feeling right now?

131 responses

← NOT AT ALL

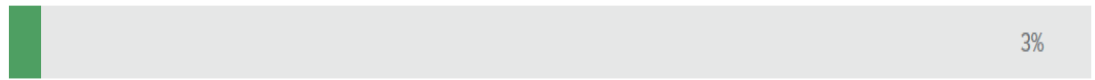
REALLY MOTIVATED →



How effective are the levels and detail of information you receive?

131 responses

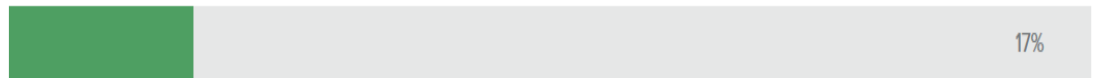
Really good



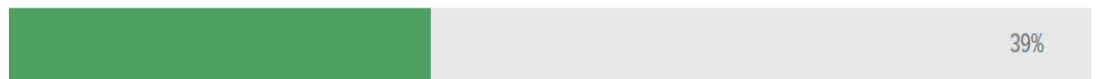
Good



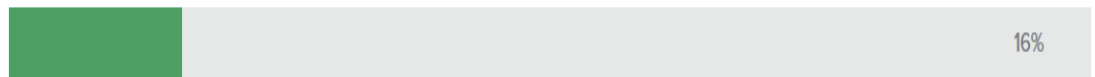
Useful



Ok



Not useful



How well has your Change Ambassador liaised with you on progress?

131 responses

← NOT AT ALL

REALLY WELL →



How are you feeling about working together as one service through collaboration?

130 responses

← NOT

EXCITED →



The latter part of each session gave staff the opportunity to shape the values and vision of the new delivery model for the future.

Top ten statements made by staff regarding their vision for the future:

1. Using staff expertise and knowledge
2. Best technology
3. Professional
4. Good Communication

5. Quality service and resources
6. Marketing
7. Investment
8. Evolving
9. Community Focussed
10. Successful

Top ten miscellaneous statements made by staff at the sessions:

1. Do less well
2. Branding – be recognisable as one
3. Feel like one team
4. Start working together now
5. Fun
6. Wellbeing
7. Continuity
8. Rewards and incentives for staff
9. Respected and valued
10. Everyone has an input now and in the future



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Appendix N - Service User Engagement

Making the customer the focus of our engagement programme will help us to meet the challenges we face head on. It is important that we listen to our service users and customers to ensure future services are relevant, meet need and are fit for purpose.

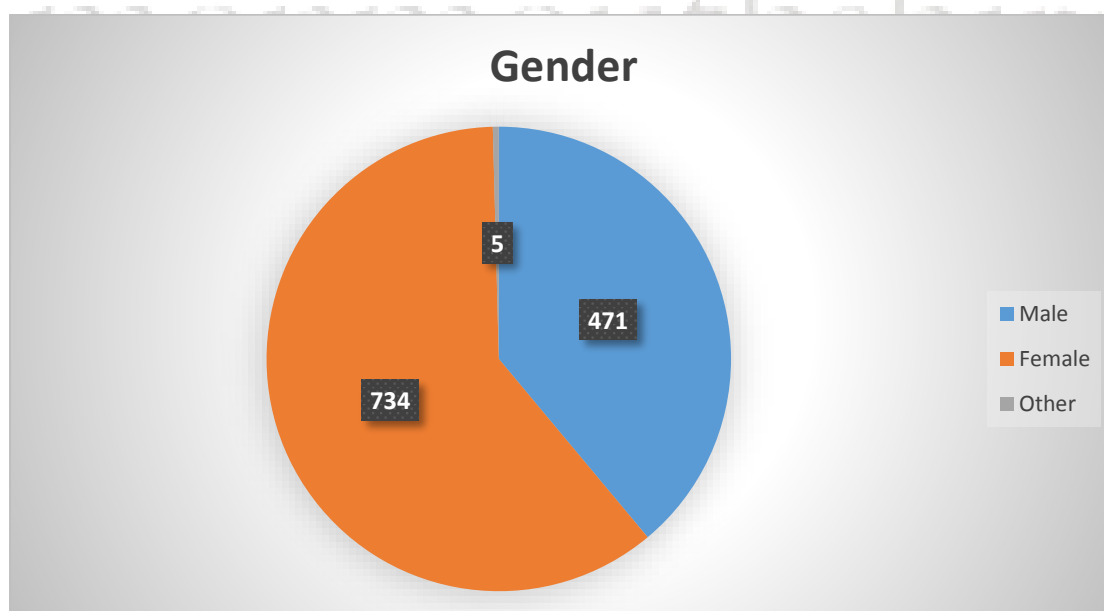
As we are at the early stages of the development of the new Delivery Model, we identified the need to carry out a 'dip-test' with service users to find out what was important to them regarding the services they accessed and used regularly.

During the three weeks of 1st August – 19th August 2016, services engaged their users through paper surveys and an on-line survey asking 'What Matters' as well as some basic demographic and geographical information. A total of 1210 surveys were completed during this three week period, from all age groups and areas of Monmouthshire giving us a wealth of initial data to use to inform our business plan and future model. The following is an analysis of the service user feedback.

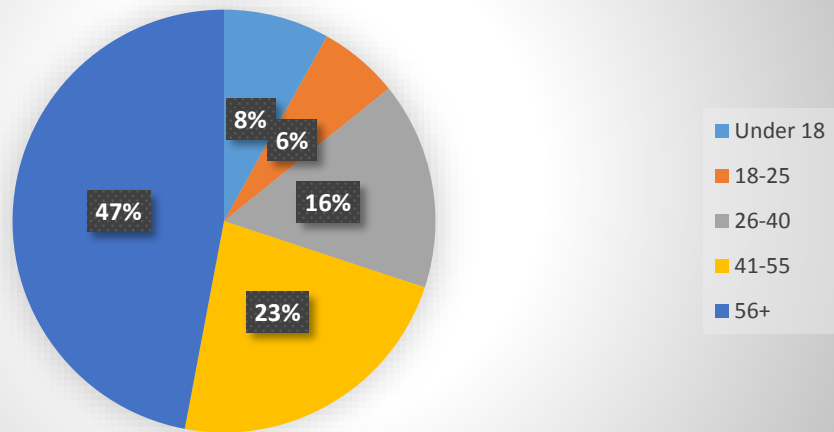
From across all surveys completed these were the top 5 themes that mattered to service users:-

- ✔ 28% - Staff: were approachable; knowledgeable; friendly and welcoming
- ✔ 24% - Accessibility: services were local; open regular and open to all
- ✔ 13% - Cleanliness: sites and facilities were clean; had good hygiene and
- ✔ 12% - Equipment: maintained; up to date; accessible for all and available
- ✔ 9% - Cost: prices are as low as possible; fair and worth the service receiving

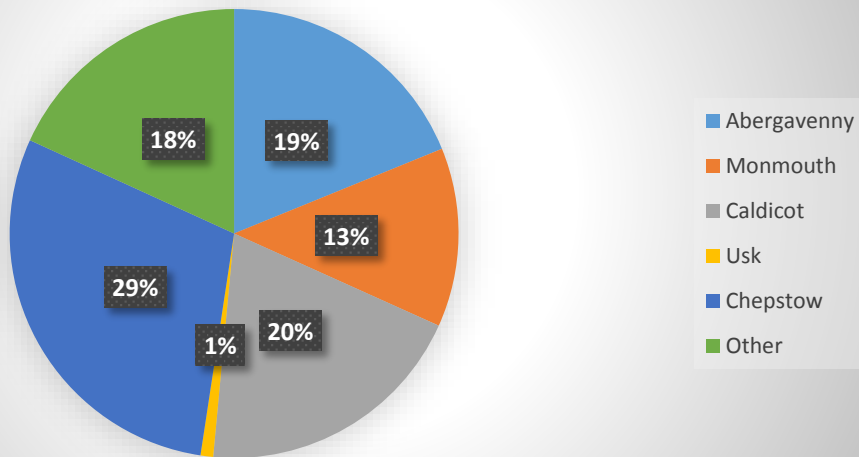
Demographic information:



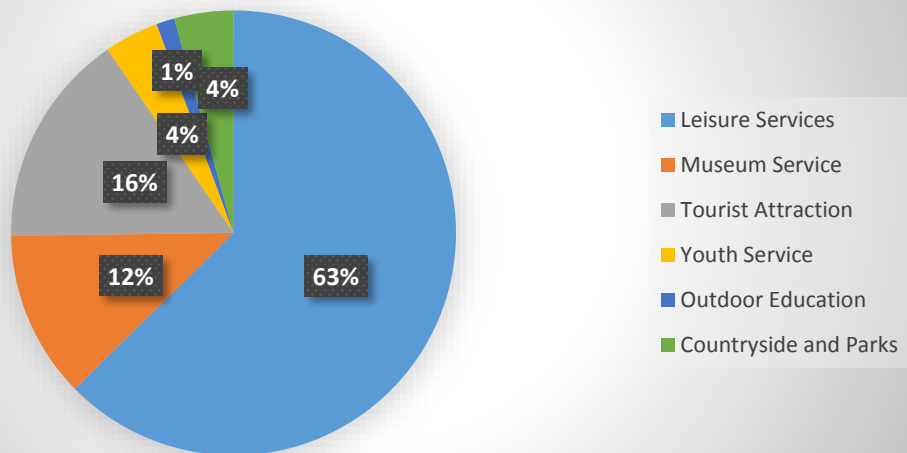
Age



Residential Area



What service are you using?



The following are extracts of what users shared about each service individually (leisure; museums; countryside; tourist attractions; youth service and outdoor education) and indicated 'What matters' to them:

Leisure (758 of the surveys submitted)

- ✓ 19% said 'Staff approachable and friendly'
- ✓ 17% said 'Clean buildings, equipment and good hygiene'
- ✓ 12% said 'Equipment maintained, up-to-date and more available'
- ✓ 11% said 'Being able to access classes to help people stay fit and healthy'
- ✓ 7% said 'Opening times extended'

Countryside (52 of the surveys submitted)

- ✓ 25% said 'Pathways and services are clean and not overgrown'
- ✓ 19% said 'Pathways are accessible'
- ✓ 8% said 'Having appropriate reasonably priced parking'

Museum Service (147 of the surveys submitted)

- ✓ 33% said 'Museums need to be interesting and educate people'
- ✓ 23% said 'Information is available and relevant'
- ✓ 21% said 'History should be preserved and shared with everyone'
- ✓ 14% said 'Important that museums stay free'
- ✓ 14% said 'Being able to learn about local history locally'

Youth Service (49 of the surveys submitted)

- ✓ 24% said 'Staff are approachable, helpful and fun'
- ✓ 22% said 'Need somewhere to go that is safe, fun and our space'
- ✓ 10% said 'Something to do and meet friends'
- ✓ 8% said 'Help to look for jobs and training'

Outdoor Education (15 of the surveys submitted)

- ✓ 20% said 'Cost - value for money is important'
- ✓ 20% said 'Safety whilst on activities'
- ✓ 20% said 'Equipment is tested, safe and appropriate'

Tourist Attractions (Shire Hall; Old Station; Caldicot Castle; TIC's) (189 of the surveys submitted)

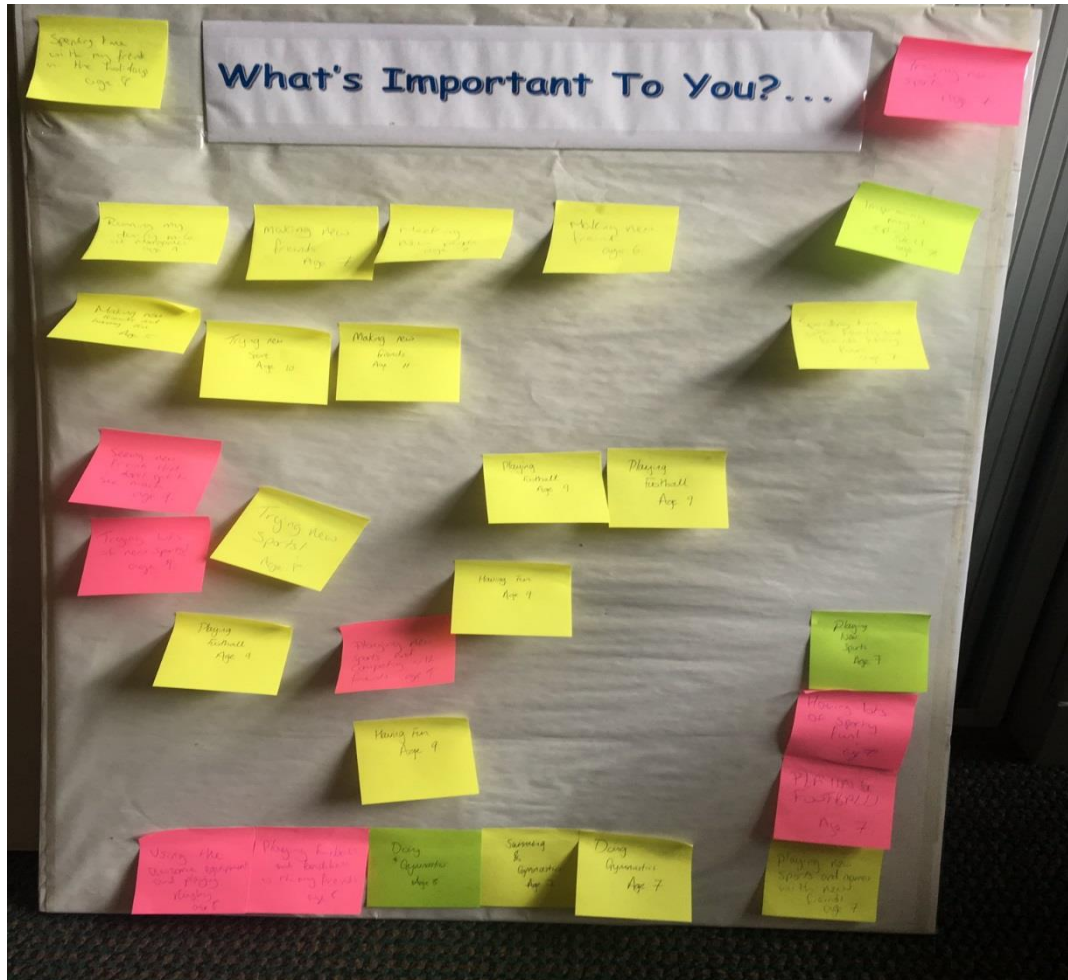
- ✓ 57% said 'Staff welcoming, helpful and knowledgeable'
- ✓ 12% said 'Local, accessible attractions are important'
- ✓ 12% said 'Attractions clean and litter free'
- ✓ 13% said 'Information is provided on local areas'

In addition and to ensure we had the voice of our youngest service users, over 120 children and young people (aged 5-11) responded on Graffiti boards sharing their thoughts on what was important to them regarding the service they were using.

A flavour of their comments:-

- ✚ To be able to swim
- ✚ Stop me being bored
- ✚ Make new friends
- ✚ Everybody taking part
- ✚ Learning new things
- ✚ Being healthy

- 😊 Being safe
- 😊 Yummy breakfast
- 😊 Staff friendly
- 😊 All treated the same
- 😊 Teamwork
- 😊 Happy



Appendix O - What Matters Service User Survey



Monmouthshire Service Users – What Matters to You?

Gender M F Other

Age Under 18 18-25 25-40 40-55 55+

Resident area

Abergavenny Monmouth Caldicot

Usk Chepstow

Rural area _____ Other _____

Reason for your visit: _____

What matters to you about the service you are using?

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What is important to you?

If you would like to be kept informed of future service developments then please leave your contact details _____



Defnyddwyr Gwasanaethau Sir Fynwy - Beth sydd o Bwys i Chi?

Rhyw G B Arall

Oed Dan 18 18-25 25-40 40-55 55+

Ym mha ardal ydych chi'n byw:

Y Fenni Trefynwy Cil-y-coed

Brynbuga Cas-gwent

Ardal wledig _____ Arall _____

Rheswm am eich ymweliad: _____

Beth sydd o bwys i chi am y gwasanaethau yr ydych yn eu defnyddio?

monmouthshire
sir fynwy

Beth sy'n bwysig i chi?

Rhowch eich manylion cyswllt os gwelwch yn dda os hoffech gael gwybodaeth am ddatblygiadau gwasanaeth yn y dyfodol

Appendix P - The Big Conversation

Big Conversation –The Results

From October through December The Big Conversation took place in Monmouthshire. This was a valuable opportunity to have an authentic and honest conversation with our young people!

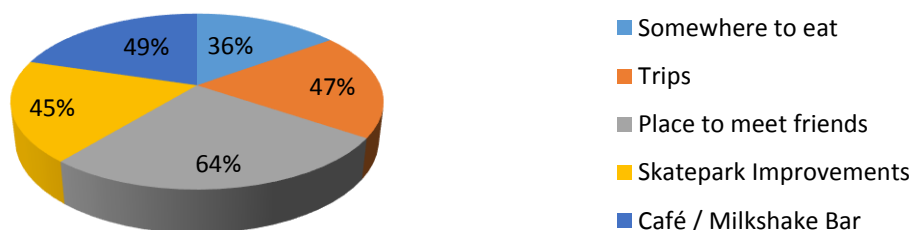
The aim of the consultation was to ultimately find out what young people *really* want in their area and to also help shape the future of a youth offer from services in the new delivery model.

The Big Conversation engaged with 345 Young People aged 5 – 25 years from groups such as;

- Primary schools,
- Comprehensive schools,
- Young Carers,
- Global Entrepreneur Event
- Youth Councils
- School Council
- Alternative Education Providers
- Monmouthshire Games sports Activities
- Scout Group
- Community Events
- Youth Service trips and sessions
- Engagement Roadshow - Outreach Sessions (All towns)
- Young People gym sessions

From the overall outcomes of the conversation, here are the top 5 priorities that children and young people wanted us to know

Results



*% are based on 345 responses

While the data allows us to identify new trends and demands from the children and young people, it also challenges us to think differently. The vast range of needs presented, encourages us to think wider and to consider all service areas when forming the youth offer. There are multiple data entries that can be amalgamated, calling on the resources and skills of the team that will potentially fall under the new delivery model to ensure that we offer the optimum opportunities.

Next steps will be to visit independent youth groups (Youth/ School Councils, Young Sports Ambassadors) and feedback the data analysis and prioritising from a young person's perspective. We are keen to have the young people lead the way on the formation of the youth offer and being involved throughout the process is paramount.

Moving forward, young people will be consulted with and invited to be involved in the creation of specific projects, these projects will be identified as a result of the analysis and prioritising workshops.



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Appendix Q - County, Town and Community Council Engagement

Meeting dates as confirmed by Town and Community Councils – Autumn 2016

Date	Time	Town/Community Council
17 th October 2016	7.00pm	Trellech Community Council
18 th October 2016	7.30pm	Crucorney Community Council
18 th October 2016	7.00pm	Portskewett Community Council
26 th October 2016	8.00pm	Gwehelog Community Council
31 st October 2016	6.30pm	Magor/Undy Community Council
2 nd November 2016	6.30pm	Llanbadoc Community Council
3 rd November 2016	7.30pm	Llangattock Community Council
10 th November 2016	7.00pm	Caerwent Community Council
10 th November 2016	7.15pm	Llantrisant Fawr Community Council
14 th November 2016	7.00pm	Mathern Community Council
14 th November 2016	7.30pm	Usk Town Council
14 th November 2016	7.30pm	Grosmont Community Council
15 th November 2016	7.30pm	Llangybi Fawr
15 th November 2016	6.00pm	Llantillio Pertholey Community Council
16 th November 2016	7.00pm	Llanfoist Community Council
21 st November 2016	7.30pm	Goytre/Little Mill Community Council
23 rd November 2016	7.00pm	Chepstow Town Council
23 rd November 2016	7.00pm	Raglan Community Council
24 th November 2016	7.00pm	Abergavenny Town Council
28 th November 2016	7.00pm	Tintern Community Council
28 th November 2016	7.00pm	Devauden Community Council
5 th December 2016	7.00pm	Monmouth Town Council
17 th January 2017	7.30pm	Llantilio Crossenny Community Council
13 th February 2017	7.00pm	Gilwern Community Council
15 th February 2017	7.00pm	Llanfoist Community Council

Members Seminars

4 th February 2016	Led by Anthony Collins ADM team	To discuss the initial proposals of gathering information in order to inform a decision on a future delivery model for TLCY and youth service's	Number of Members attended = 19
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14 th December 2016	Led by Anthony Collins and ADM team	The reason why to do a new delivery model Finance for ADM Governance	Number of Members attended =
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Appendix R - County, Town and Community Council Engagement



Briefing Paper for Town and Community Council meetings 2016

Rational

Why change?

- ▶ The ongoing Local Government funding review resulting in further cuts to services, job losses and dissatisfied communities;
- ▶ An opportunity to change things for the better, e.g. better services, different services, a new way of doing things;
- ▶ Involve everybody in creating a stronger, sustainable future model i.e. sustaining locally accessible services;

If we don't:-

- ▶ Budgets are decreasing – circa 12% or £14m over next four years; no capital investment available; services and teams under immense pressure; teams under pressure and moral is low, ultimately resulting in services being lost

Services in scope:

- ▶ Leisure, Sports Development and Outdoor Education;
- ▶ Youth services provision;
- ▶ Countryside services including our Heritage sites;
- ▶ Tourism Marketing, Development, Visitor Information; Arts and Events;
- ▶ Management and marketing of Monmouthshire's Visitor Attractions;
- ▶ Museums (to transition at a later phase)

Vision for new delivery model

- ▶ Increased flexibility and agility in responding to needs and change;
- ▶ Freedom to market and trade its services;
- ▶ Improved 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;
- ▶ Empowered & motivated staff thus raising productivity;
- ▶ Access to funding and tax efficiencies currently outside the scope of the Council; and
- ▶ Offer higher levels of engagement and achieve economies through collaboration and partnership.

Range of options, four principle options identified:

- ▶ 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);
- ▶ Delivery Option Four: Outsource the services to a third party.

*It should be noted preference was given to put more resources into exploring an alternative delivery model

Timescales 2016 - 2017

- ▶ January – February Information gathering and due diligence
- ▶ February – July Options Appraisal

- | | |
|-----------------------|---|
| ▶ July – September | Strategic Outline Case |
| ▶ September - October | SOC for Political approval |
| ▶ October – December | Business plan development subject to SOC approval |
| ▶ December – January | Draft Business Plan requiring Political approval |
| ▶ October – March | Transition process |
| ▶ April 2017 | Implementation of new model/s |
| ▶ September 2017 | Completion and 'Go Live' |

For further information and papers associated with this piece of work please go to

<http://democracy.monmouthshire.gov.uk/ieListDocuments.aspx?CId=144&MId=949&Ver=4>

Contact details:-

Tracey Thomas

07818 016924

traceythomas@monmouthshire.gov.uk



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Appendix S - FAQ and responses compiled from Town and Community Councils visits

Monmouthshire County Council are currently exploring options that will enable the sustainability and future longevity of services within Tourism, Leisure and Culture services.

During the autumn of 2016, the core team for the proposed new delivery model were invited to attend Community and Town Councils to share information with local councillors and to advise on the processes and proposals presented to MCC elected Members. Local councillors will be able to ask questions to the team members present.

Questions were verbally taken at each meeting. To ensure transparency and to share the questions asked, a list of frequently asked questions are hereby presented under themed headings.

Resource and Finances

LA could save money in other areas before looking to spin out these services?	<i>The authority is committed, rightly so, to supporting Education and Vulnerable people as 2 of its priorities. The budget sits substantially in these two areas leaving little resource for other services to continue and thrive. To ensure that local services are sustainable we need to explore alternative models.</i>
How will this save money for the local authority?	<i>The new delivery model/s will be able to access alternative funding/income from several sources which will enable the authority to reduce subsidy over a period of time therefore saving money.</i>
Will the LA still continue to fund the ADM when budgets are getting smaller?	<i>The local authority and the new delivery model/s will have an agreement in place with a Business Plan demonstrating the reduction of subsidy over a period of time from the LA, against the increasing income sourced by the new delivery model</i>
Timescales are unrealistic and putting pressure on current administration	<i>The process has been ongoing for over a 12 month period and has involved the current administration. The current administration are supportive of looking at new models and want to ensure that services are sustainable as soon as possible. The timeline fits with the processes required for completion once approval is given through the current and future administration.</i>
What will happen to the assets – will they remain the property of MCC?	<i>Currently we are exploring options around the assets. It is anticipated that assets will remain the property of MCC with a lease in place with the new delivery model/s for a set period of time</i>
Can you give an example on how you will generate more income that you cannot currently do in house?	<i>Having Charitable status will enable access to grants that we cannot currently access as a statutory body.</i>
What about the implications of Brexit?	<i>There are no foreseeable implications of Brexit within the current timescales.</i>

Community and Community Council role with new model

Will CC's be asked to contribute or precept monies to assist with new model?	<i>We will not be asking for Community councils or Town councils for precept to assist with this new model. We would welcome future collaboration on funding applications to benefit our local communities</i>
Why ask CC's as our views are not taken into account as CC make the decisions and local, rural areas suffer as a result	<i>We value all views on this decision as local communities are the main users of these services. We value the close working relationship we have now and wish to develop this in the future so services are provided that meet local need</i>

How will we benefit from this new model in a rural community?	<i>Through partnership working we will aspire to develop and grow services to ensure rural areas have access to services that meet local need</i>
How will this involve the Community?	<i>We are keen to involve all community service users old and new, to assist us in developing services that are fit for purpose and meet evolving needs</i>
How will Community Councils be involved in the future model as have vested interest in local services?	<i>We will regularly engage with local community councils to seek views and opinions on local services and through partnership develop and grow local services for the benefit of local communities</i>
Would welcome further opportunity to discuss with LA this programme	<i>Visits will be made again in the spring to give local councillors an update on progress and to seek views</i>

Staffing concerns

Will staff be protected and carried over to the new model?	<i>The pay, terms and conditions of employees transferring to the ADM are protected by TUPE legislation which will be adhered to</i>
What are the implications for staff?	<i>Staff are the biggest asset we have and are fully engaged in the process to date. It is the intention that all staff will transfer over the new model/s with limited disruption to services and posts</i>
How involved have the Trade Unions been in the process so far?	<i>Trade Unions have been involved in conversations with HR and the core team for the last 12 months and will continue to do so throughout the transition period</i>

Services in scope for options presented

What services are we talking about here?	<i>Leisure and sports development Youth service Outdoor Education Countryside Tourism Attractions Events Museums</i>
Who decided on the services in scope for this new organisation?	<i>The services that are highlighted to move into a proposed alternative delivery model and to secure future sustainability, were proposed through the budget mandate consultations in 2015/16 with the public and senior officers. Most of these services do not have statutory responsibilities through local authority delivery (with the exception of elements of Youth and Countryside).</i>
What would these services look like if you walked in, in the future?	<i>Apart from a new logo and branding, we anticipate that the same great service will be available to our community and service users. We will be able to grow our offer and increase services available to communities. We anticipate reinvesting into the assets so our services are fit-for-purpose and offer the optimum service to our communities</i>

Models currently being explored

<p>As we are only one of a few in Wales not to have looked at other models, what have you learnt from their processes?</p>	<p><i>We have talked to neighbouring authorities and gathered intelligence from further afield. They have all shared a wealth of knowledge with the team. As well as gathering intelligence on processes they have gone through, we were keen to find out what they would have done differently; what went wrong and what they have had to change since their inceptions. All were keen to express the importance of having the scope to grow services and having more than one model available. Consultation is crucial with users, staff and stakeholders to ensure we have the right model/s that will accommodate our services and offer longevity.</i></p>
<p>Would this model apply to other local authority services– will they be able to join the new model or will they be cut?</p>	<p><i>The new delivery model/s will be set up to ensure that in the future additional services can be transferred across should the need arise.</i></p>
<p>Has the authority got the business skills to deliver a more commercial model?</p>	<p><i>We believe that we have the skills required in many aspects of running a new model/s using many of our existing staff. Many of the services identified in this new model/s already operate under a business acumen. When we recognise areas where additional expertise is required we will ensure that this is addressed.</i></p>
<p>Will Welsh Government be involved in this decision for an alternative delivery model?</p>	<p><i>Welsh Government have issued guidance to all LA's on setting up of alternative delivery models and are supportive of this approach locally. The decision is that of the local authority to make rather than WG</i></p>
<p>How will the governance work – what will be the make-up of your members?</p>	<p><i>Depending on which model/s is selected, Boards will be set up from a make-up of community members; professionals; elected Members and Senior Officer from MCC</i></p>
<p>The private sector should be an option to run some of the services rather than the LA – have you approached anyone to do this?</p>	<p><i>If this is an option chosen through the political process then we will investigate further.</i></p>
<p>Have all of the options being given the same due process for a decision to be made on which model will be given approval?</p>	<p><i>Yes all options have gone through the same due process to ensure transparency and fairness on the 4 options presented</i></p>
<p>What is a TECKAL and can you explain the grouping again?</p>	<p><i>The preferred delivery option for the services associated with the Tourism, Culture and Leisure assets is through an Alternative Delivery Model. The model is structured in 3 parts;</i></p> <ul style="list-style-type: none"> <i>• Teckal Company. – MCC would retain control over services but would allow some limited flexibility for commercial operation</i> <i>• Charitable trust – this offers financial savings; allows access to funding; is a not for profit organisations as is seen as “ non-commercial” – addresses council key concern</i> <i>• Trading Company to take advantage of trading opportunities and reinvest profits back into the Charity</i>
<p>What would transforming in house mean?</p>	<p><i>Transforming in house would mean a remodelling of services identified to realise</i></p>

	<i>efficiencies and operate in a streamlined way. This option would also limit access for both capital and revenue streams so could potentially see services in the same position in the future and managing decline.</i>
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Miscellaneous

How will you be able to promote what we do in Monmouthshire?	<i>We will aspire to have a dedicated Marketing team with the new delivery model that will put Monmouthshire on the map for local residents and tourists. We value the importance of the wider Monmouthshire tourism offer and will ensure this is enhanced at every opportunity.</i>
How does this tie in with the work being undertaken as part of the RDP study of non-statutory services in rural areas?	<i>The project team will meet with the consultant who is leading on this research to create synergies and share ways of working</i>
How will you continue to work with Social Care to support our increasing aging population and social care needs?	<i>We continue to work with our colleagues in Social Care and Health to assist in the early intervention and prevention agenda which will ultimately lessen the burden on said statutory service in the future.</i>



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Appendix T - Trade Union Engagement

Informal Union and Local Authority meetings

Date	Meeting attended by	Discussion Points
31 st May 2016	Tracey Thomas	General update on where we are in the process to date
29 th November 2016	Tracey Thomas	General update on progress Strategic Outline Case approved by Members Approval to go to next stage of Draft Business Case

JAG meetings

Date	Meeting attended by	Discussion Points
7 th March 2016	Tracey Thomas	General update on proposed work programme for intelligence gathering; options appraisal
28 th June 2016	Tracey Thomas	Update on progress to date Detailed Options Appraisal written Writing draft Strategic Outline Case
26 th September 2016	Tracey Thomas	Papers have been written along with report for Joint Scrutiny and Cabinet Papers to be sent to Unions for reference/comment Awaiting a political decision to go to next stage of process
21 st November 2016	Tracey Thomas	Strategic Outline Case presented to Members and approval given to go to next stage for Draft Business Case Advised on timescale for papers for SLT; joint Scrutiny and full Council Papers will be circulated to Unions at the same time as part of consultation

Appendix U - Partner Engagement

Community HUB staff briefing

Monmouth Community HUB	9 th November 2016	Briefing paper given to front line staff to ensure aware of stages covered by MCC in relation to the potential of a new delivery model for TLCY and youth services
Abergavenny Community HUB	30 th November 2016	Briefing paper given to front line staff to ensure aware of stages covered by MCC in relation to the potential of a new delivery model for TLCY and youth services
Usk Community HUB	30 th November 2016	Briefing paper given to front line staff to ensure aware of stages covered by MCC in relation to the potential of a new delivery model for TLCY and youth services

Volunteer Networks

The Volunteering network was attended on 23rd November to share the work being undertaken by MCC in relation to a new delivery model for TLCY and youth services. The network was attended by 15 partners. After an update on progress in the volunteering sphere, there was an opportunity for partners to network. There were lively discussions with partners who were interested in the new delivery model and information shared that will assist the team in taking this forward within the community. In particular there could be strong links between Community Connections who are creating support through community members for community members to ensure that their wellbeing is the priority rather than the reliance on statutory services. **Integrated Youth Offer partnership**

This PSB partnership group was attended on September 28th to share with the 28 partner agencies the work being undertaken by MCC in relation to a new delivery model for TLCY and youth services. There were discussions held and queries raised on how this may affect future partnership working. Partners were reassured that this opportunity for TLCY and youth service will mean that they will still be operating and be able to continue with partnerships formed and shared projects, and together in the future grow the offer available to children and young people. Without the opportunity to work differently there is a risk that services will reduce which will mean less options available to children and young people hence the reason the local authority are looking to ensure these services are sustainable for the future. Partners were willing to assist where necessary in the future and look forward to the new delivery model being given political approval early in 2017.

Appendix V – Potential New Income Sources

Service	Potential sources of new income (outside MCC)									
	Sales of services to customers	Sales of merchandise etc	Cafes, food and coffee	Commercial tie ins and sponsorship	Contracts to provide services for other public bodies	Contracts to provide commercial services	Membership schemes	Individual donations	Corporate and charitable foundations; Lottery; legacies	Grants from local and national government
Leisure and Fitness	G	A	G	G	G	A	G	R	A	A
Outdoor Education	R	A	A	A	G	A	A	R	A	A
Visitor Attractions	G	G	G	G	A	A	A	A	A	A
Green Infrastructure & Countryside	R	R	A	A	A	R	A	R	R	A
Tourism	A	A	A	A	R	R	A	R	R	A
Youth Service	R	R	A	A	G	R	A	R	G	G

G = Likely, A = Potential, R = Unlikely

Appendix W – Project Implementation Plan

Strategic / Decision making milestones

Headline		What needs to be done	By whom	By when	Milestone Date	Status
Amion Review of Cultural Services		Approval of an initial investment of £30,000 to commission Amion Consulting to undertake a comprehensive review of the future options for our Cultural services.	IS	Oct-14	Cabinet 15th October 2014	√
Invest to Save		Approval of the release of £60,000 from the Invest to Redesign fund to finance the supplementary work needed to mobilise TLCY services.	IS; CF	Oct-15	Cabinet 15th October 2015	√
Strategic Outline Case		Development of the SOC in readiness to go through the political process	IS;CF;MB and TT	Papers to be sent 21st Sept 2016	Joint Select 5th October 2016	√
Draft Outline Business Case for SLT		Development of the Draft OBC in readiness to go through the political process	IS;MB;TT;RS and ML	Ongoing meetings with SLT team members to aid process	SLT to reform if required prior to Joint Select	√
Draft Outline Business Case for Joint Select		Development of the Draft OBC in readiness to go through the political process	IS;MB;TT;RS and ML	Papers to be sent 13th February 2017	Joint Select 27th February 2017	√

Draft Outline Business Case for Council		Development of the Draft OBC in readiness to go through the political process	IS;MB;TT;RS and ML	Papers to be sent 6th March 2017	Full Council 20th March 2017	
Final Business Case and Business Plan for SLT		Development of the Final BC in readiness to go through the political process	IS; MB; TT; RS; ML	1st Aug 2017	Sep-17	
Final Business Case and Business Plan for Joint Select		Development of the Final BC in readiness to go through the political process	IS; MB; TT; RS; ML	1st Aug 2017	Sep-17	
Final Business Case and Business Plan for Cabinet		Development of the Final BC in readiness to go through the political process	IS; MB; TT; RS; ML	1st Aug 2017	Sep-17	
Final Business Case and Business Plan for Council		Development of the Final BC in readiness to go through the political process	IS; MB; TT; RS; ML	1st Aug 2017	Sep-17	

A six month period will be required to establish the case for change and make comparisons with a 'stay' model. During this time, and pending the 'go' model approved, to enable the successful transfer of services from LA to the new delivery model, a period of time is required to meet the legalities; processes and administration in readiness for final approval and 'go live' date

Transformation of service delivery	1	NEW MODEL DEVELOPMENT				
		Establishment of work streams looking at property, service level agreements, company documentation, pensions, human resources, finance, branding, governance and preparation of the Business Plan.	IS; MB; RS; TT; ML	April - Dec 2017	Completion by December 2017	
	1.1	MCC approve new model and draft Business Case	MCC	Sep-17	Completion by August 2017	
	1.2	Procurement and Grants agreement	MCC and Core team	June - Sept 2017	Completion by October 2017	
	1.3	Create Service/ Subsidyagreements	MCC and Core team	June - Sept 2017	Completion by October 2017	
	1.4	Agree Service/ Subsidy agreements	MCC and Core team	June - Sep 2017	Completion by July 2017	
	1.5	Identify Assets required for new delivery model	MCC and Core team	Apr-17	Completion by July 2017	
	1.6	Commission condition surveys for current assets identified	MB	Jan-17	Completion by February 2017	√
	1.7	Agree Assets to be transferred and agreement of terms	MCC and Core team	May-July 2017	Completion by August 2017	
	1.8	Identify Resources required for new delivery model	MCC and Core team	Apr-17	Completion by July 2017	

1.9	Agree Resources to be transferred and agreement of terms	MCC and Core team	April - June 2017	Completion by July 2017	
1.1	Develop SLA's	MCC and Core team	Sept - Dec 2017	Completion by December 2017	
1.11	The Charity Commission application process	ACS; IS and relevant individuals	Sep-17	Completion by December 2017	
1.12	Design and set up Trading subsidiary	New delivery team	Sept - Dec 2017	Completion by December 2017	
1.13	Carry out Due Dilligence re Titles/Contracts/Licenses/archives/data protection/intellectual property	MCC and Core team	June - Sep 2017	Completion by September 2017	
1.14	Create/agree operational policies/processes/procedures	IS; TT; MB; HR team	June - Sep 2017	Completion by December 2017	
1.15	Create/agree 3 year Business Plan	IS; MB; TT; RS; ML	April - July 2017	Completion by August 2017	
1.16	MCC agree 3 year Business Plan	SLT/ Members	Sep-17	Completion by August 2017	
1.17	Create and agree Marketing/Communication plan	IS; RS and identified personnel	Sep - October 2017	Completion by December 2017	

1.18	Assess hardware and software implications for services transferring to ADM	IS; RS	May - July 2017	Completion by September 2017	
1.19	Assess license or other implications linked to transferring services to the ADM	IS; RS	May - July 2017	Completion by September 2017	
1.2	Agree staffing structure for new delivery model	IS; MB; RS; TT; ML	April - June 2017	Completion by August 2017	
1.21	Recruitment if required	HR staff; TT; MB	Sept-Dec 2017	Completion by December 2017	
1.22	HMRC engagement	MB and designated officers	Sept - Nov 2017	Completion by December 2017	
2	GOVERNANCE				
2.1	Establishment and training of a Shadow Board	ACS; IS and relevant individuals	Sep-17	Completion by October 2017	
2.2	Convene Board	IS and relevant individuals	Sep-17	Completion by October 2017	
2.3	Establish operational team	IS and relevant individuals	Sep-17	Completion by October 2017	
2.4	Agree name/brand/purchase	Shadow Board members	Sep-17	Completion by October 2017	

2.5	Risk Analysis and management	MB; IS and relevant MCC officers	June - Sep 2017	Completion by September 2017	
2.6	Transfer Agreement	MCC & Shadow Board	Sept-Dec 2017	Completion by December 2017	
2.7	Produce draft/final Legal and Governance Report for Cabinet	ACS; IS and relevant individuals	Sept-Dec 2017	Completion by December 2017	
2.8	Selection proces for full Board; selection process; recruit and appoint	ACS; IS; shadow Board members and relevant individuals	Sept-Dec 2017	Completion by December 2017	
3	EMPLOYEES				
3.1	Identify staff for TUPE transfer (preparatory work)	MB; TT and MCC HR (SC and TP)	April - August 2016	All processes completed by end of February 2018 in readiness for new organisation 'go live' date of 1st April 2018	

	3.2	TUPE transfer agreement	MCC HR; MB; TT	Oct-17	Completion by December 2017	
	3.3	Identify Pension contributions and deficits calculated	MCC; MB;	June - August 2017	Completion by December 2017	
	3.4	Employee Consultation and information		Sept - Dec 2017	Completion by December 2017	
	3.5	Transfer staff	MCC HR	Jan- March 2018	Completed by February 2017	
	3.6	Apply for admitted status to GGPS	MCC; MB; TT	Sep-17	Completed by January 2017	
	4	ENGAGEMENT				
	4.1	Staff Consultation	TT and relevant individuals	Start Dec 2015 - ongoing	Completion by December 2017	
	4.2	Public Consultation	TT and relevant individuals	Start August 2016 - ongoing	Completion by December 2017	
	4.3	Key Stakeholders Consultation	TT and relevant individuals	Start January 2016 - ongoing	Completion by December 2017	

	4.4	Trade Union Consultation	TT and relevant individuals	Start January 2016 - ongoing	Continual throughout transition and as part of new organisation set up	
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