

Libraries Strategy – Delivery Model

Cabinet

Date: 13th June 2018

Author: Cabinet Member for Corporate and Customer Services
Corporate Director Children Services

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report outlines the main findings from the development of the Business Plan to establish a Public Sector Mutual (PSM) organisation to deliver Swindon Library Strategy that delivers a comprehensive and efficient Library service and promotes an increase in literacy and learning within communities. It seeks approval for Swindon Library Service (SLS) to move into a period of transition to prepare for becoming a Public Sector Mutual from April 2020.
- 1.2 Approval of the recommendations of this report will initiate Swindon Library Service and key officers from SBC to carry out the recommendations in the business plan where appropriate and to work as outlined to prepare the service to move into a PSM.
- 1.3 The proposals contribute towards the Council's vision for Swindon, particularly: Priority Two: offer educational opportunities that lead to the right skills and the right jobs in the right places; Priority Three: ensure clean and safe streets and improve public spaces and local culture; and Priority Four: Help People to help themselves while always protecting the most vulnerable children and adults.

2. Recommendations

Cabinet is recommended:

- 2.1 To authorise the Head of Library Services, in consultation with the Cabinet Member for Corporate and Customer Services, the Strategic Commissioner, Routes to Employment, the Corporate Director Children Services, the Director of Finance and the Director of Law and Democratic Services:
 - 2.1.1 To implement the transition arrangements outlined in the body of the report to prepare the Swindon Library Service for becoming a PSM by April 2020. This includes the development of a SLS Transition Board to advise the Head of Library Services on the implementation arrangements.
 - 2.1.2 To develop the implementation plan to set out the detailed arrangements for the creation of a PSM, including award route for the delivery of the core library services and the treatment of assets, back office costs, charges for services to non-core community-led Library services and staff transfer and pension arrangements.

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2.1.3 Authorise up to £100k of one-off resources be earmarked on the Council's Balance Sheet to fund the costs of any necessary financial, legal or technical advice required to support the implementation of the recommendations and the completion of the relevant contractual documentation as set out in paragraph 3.14.9.

3. Detail

- 3.1 The Council has a statutory duty under the Public Libraries and Museums Act (1964) to provide a comprehensive library service for those who live, work and study in the borough. It also has a duty to consider the most efficient and effective way of delivering that service. The PSM has been put forward as the preferred alternative delivery model for the service following a detailed options appraisal.
- 3.2 Cabinet resolved on 26th April 2017 to develop a viable business plan and initiate a consultation on the preferred option to establish a Public Sector Mutual (PSM) organisation, as a charity (Cabinet Minute 125.2017/18 refers). The business plan includes the development of appropriate contractual governance and staffing arrangements that would be required to establish a PSM on the basis on which the core Library Services will be delivered.
- 3.3 The Public Sector Mutual will be set up through a new organisational entity being established that shares ownership of the service between the Council, communities and staff, with services delivered via an agreement between the Council and the PSM.
- 3.4 Mutual Ventures was commissioned as external advisers to support this work which was completed in December 2017. The business plan assesses whether SLS could establish a viable and sustainable Public Sector Mutual (PSM) on 1st April 2018. The Council was successful in securing grant funding from the Department of Culture, Media and Sport (DCMS) to contribute to the costs of the development of the business plan.
- 3.5 With support from Mutual Ventures and Libraries Unlimited, SLS has developed a 5 year business plan and financial model which tests the PSM in depth. Mutual Ventures presented the key findings from the Business Plan to SBC officers and members in December 2017 and following consideration of its content, a workshop was held in March 2018 to agree the next steps.

Function and benefit of the PSM

- 3.6 The PSM would deliver SBC's statutory duty to provide a comprehensive and efficient library service as outlined in the Council's strategy and vision. As a not-for-profit organisation, the PSM would have the freedom to design and deliver a wider range of services and would have increased levels of commercial flexibility and freedom to generate increasing levels of traded income, with any

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surpluses reinvested to achieve the vision and strategy. Access to charitable funding streams would also be available. It would work to realise further efficiencies, and at the same time prioritise the creation of social impact and value.

- 3.7 Establishing a new organisation would also give Swindon Library Service (SLS) an opportunity to do things differently. It is proposed that the PSM would be owned by staff and the community. It would be run by a Board of Directors appointed to reflect the PSM's membership and the skills/expertise needed to lead the organisation. As a PSM, SLS would ensure that library users /customers, staff and communities directly influence the design of services and the future strategic direction of the organisation.
- 3.8 It is intended that the PSM would develop meaningful strategic and operational relationships with a range of partners from across the public, private and community sectors to deliver the library strategy effectively. It would also develop new relationships to support greater income generation. A full set of partners are outlined in the Business Plan.

Business Plan scope and summary of findings

- 3.9 The Business plan referred to above assesses whether SLS could establish itself as a viable and sustainable PSM with exempt charitable status on 1 April 2018.
- 3.10 The business plan outlines the vision, mission, values and strategic objectives, in line with the vision and strategy agreed by Cabinet in December 2016 (Cabinet Minute 67, 2016/17 refers). It confirms the PSM's aspiration to provide high quality services and learning opportunities while reaching out to more people. It analyses the market, maps the key stakeholders and outlines the growth strategy and future potential services and approach to quality assurance and monitoring. It outlines the proposed management team structure and training/development needs. The plan also outlines a possible award route and heads of term, the legal form and governance and the asset and financial requirements.
- 3.11 A combination of factors result in the PSM being considered an unviable option to be delivered within the proposed timeframe. The income and expenditure forecasts have taken into account the ambition to reduce further the cost of delivering SLS to the Council by £400K by 2020. Insufficient levels of traded income, the SBC savings profile, new costs incurred by the PSM and the comparatively high staffing cost base mean that the PSM would break even during year 1 but would realise an operating deficit in year 2, 3 and 4. The PSM would realise a small profit in year 5 but would hold negative reserves.
- 3.12 The business planning process has also raised wider questions about the readiness of both SLS and SBC as an organisation to establish a sustainable PSM within the proposed timeframe. The current SLS management team require support to develop the leadership and capacity/skills required to establish and

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operate a sustainable PSM. Current arrangements involve SLS working closely with corporate teams within SBC. There is a need for SLS to move towards an approach which has greater autonomy and freedom to act as a business unit, to set income targets, manage resources in a flexible manner and make investment decisions. This would provide SLS with scope to 'deliver differently' and make timely commercial decisions. Furthermore, if a procurement route is required, this would need to start early in 2019 and work be undertaken to prepare SLS to achieve a PSM through this route completed.

Business Plan recommendations

- 3.13 It is recommended that SLS remain within SBC for a 'transition' period. This would enable SLS to restructure its leadership team and have a greater focus on developing a commercial approach while at the same time establishing and nurturing the partnerships needed to generate new income in the future. It would also provide an opportunity to address a number of technical issues related to the development of the PSM which require specific input from SBC. The business plan recommends a period until 2021/22 but further work with Mutual Ventures on addressing the barriers and issues has resulted in a recommendation to aim to become a PSM with charitable status by April 2020. A number of actions need to take place for this to be viable and are listed below.
- 3.14 In order to achieve the ambition to move to a PSM by April 2020, work to finalise and deliver the implementation plan needs to move forward at pace. The business plan outlines these in detail including a number of technical issues that need addressing. These include:
 - 3.14.1 The development and implementation of the governance structure. It is proposed that a Transition Board be set up to oversee the implementation of the plan and the move into a PSM. This will require finance, HR, procurement, legal and property input and a commitment to working within the timeframe outlined above. A copy of the draft Terms of Reference can be seen at Appendix 1.
 - 3.14.2 Confirm the commissioning route being proposed by SBC. External legal advice has been provided to assess the implications of progressing with a direct award achieved via a property transaction and funding agreement. This route is considered to hold significant risk to the Council of a possible legal challenge from other organisations who would not have been given the opportunity to deliver the service. Conducting a competitive tendering exercise would pose less risk of challenge to the Council but the SLS PSM may not be successful at the end of the exercise. It should be noted that should a procurement process be required, this would need to start early in 2019.

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- 3.14.3 SLS and SBC to review the Heads of Terms that would inform the proposed arrangements between SBC and the PSM and ensure a fair sharing of risk.
- 3.14.4 In order to increase the commercial capacity of the service and improve levels of certainty around future traded income, a restructuring of the management team and the recruitment of a commercial manager is recommended in order to focus on the development of the business unit. Preparatory work for this is already in train and would be completed in the autumn. Further work to review the staffing structure is recommended including the structure and roles required in the PSM.
- 3.14.5 Complete a staff skills analysis and training and development programme to ensure that SLS have the necessary skills and behaviours to work within a successful PSM.
- 3.14.6 Stability and ability to plan for the medium/long term. Within the financial constraints of SBC, enable SLS to work within an agreed funding envelope. The business plan outlines the need for SLS to move to a position where there is a culture change and it works with flexibility and autonomy and innovation to make the changes required to become an effective PSM.
- 3.14.7 SLS to review and update their business plan on an annual basis and the plan to be agreed with the Shadow Board. This includes the delivery of SBC's responsibilities in relation to statutory library services, the development of new income streams and the overall financial projections and management for the service.
- 3.14.8 Development and agreement of a robust outcomes and performance framework for SLS. The performance would be overseen by the Transition Board. This would help to assess the readiness of SLS to establish as an independent PSM and support a smooth transition to a future contractual relationship between SLS and SBC with the key outcomes and performance measures in place.
- 3.14.9 Ensure transition funding is available to support development and building capacity activity during the transition period. This would include specific support and training/development to prepare for becoming a social enterprise and run an effective business. Also, legal and other expert advice on the technical issues outlined in the business plan is likely to be required. The anticipated cost is circa £100k. The department of Culture, Media and Sport (DCMS) has indicated that there would be a further opportunity to bid for funding through the Mutual Support Programme in June 2018 as well as other opportunities to support capacity building.

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3.14.10 Ensure there is clarity and timely decision making regarding property assets including those that have the potential to provide income for SLS.

3.14.11 Actuarial assessment to identify the pension liabilities for SLS.

3.14.12 Explore the potential to establish a trading company to house trading activity where an incorporated organisation is required

4. Alternative Options

- 4.1 The Council could choose not to adopt the recommendation to establish a PSM for its Library Service and consider other options outlined in the Cabinet report on 26th April 2017. The Council could also choose to implement the PSM in a different time frame.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The financial framework to 2020 for the Library Service was established by Cabinet at its meeting of 7th December 2016, which set out an ambition to reach a position by 2020 where the costs of the service are absorbed within an affordability limit of £1.1m. This translated to an actual saving of £400K by 2020 comprising of an original estimated NNDR contribution of approximately £290K and efficiency savings/increased income of £115K. It has now been highlighted that due to the new baselining funding arrangements for SBC in relation to business rates, the opportunity for SBC to save this level business rates has been significantly reduced to approximately £75K per annum. A clear financial plan moving forward would need to be completed early in the transition period and include detail of operating costs, projected income and efficiencies.
- 5.2 The need for further transition funding is highlighted in 3.14.9. DCMS has confirmed that SBC would be able to apply for further grant funding to support the development of a PSM in June 2018.

Legal and Human Rights Implications

- 5.3 All legal and human rights considerations have been taken fully into account in compiling this report. The considerations of this report are compatible with Convention rights

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.4 Establishing a PSM for the delivery of Library services would require the transfer of Library Staff to the new organisation. TUPE would apply, and appropriate

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measures put in place regarding the PSM's approach to staff terms and conditions and pension arrangements. There is a risk the PSM may not win the tender in open competition which is likely to have a number of implications. These need to be considered when making a decision on the award route.

- 5.5 The Business Plan outlined that the skill set of library service management team needs to develop commercial skills and a process is in train to re-configure the management team to ensure the right roles are in place with the appropriate skills. As part of this process, a new Commercial Manager is being appointed. This report has been circulated to UNISON and other trade unions and staff are being consulted on this process.

Diversity Impact Assessment

- 5.6 A Diversity Impact Assessment (DIA) has been completed for Swindon's Library Strategy. Changing the delivery model for the service would not change the diversity and equalities requirements of the service, with Council and statutory equalities duties applying in full to the transition phase and the PSM. A DIA is therefore not required for the recommendation in this report.

Risk Management

- 5.3 Every effort would be made to secure funding from DCMS to support the next stage. There is a risk that this will not be available, in which case alternative funding arrangements would need to be made.
- 5.4 Risks arising from the recommendations of this report will be managed through project governance arrangements that would be established to oversee the transition period.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1. Draft Terms of Reference, SLS Transition Board.
- 8.2 Appendix 2. SLS High Level Implementation Plan.

9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

- 9.1 This is a Key Decision and is included in the Cabinet Work Programme and Forward Plan for June 2018.