

# **Swindon Borough Council Core Library Service**

## **Alternative Delivery Model Options Appraisal Summary**

**Version 2.2**

**March 2017**



**Department  
for Culture  
Media & Sport**

## Contents

1. Executive Summary.....	1
2. Approach.....	3
3. Shortlisted options.....	4
4. Assessment criteria.....	7
5. Scoring and rationale .....	10

## Document Control Sheet

Document Title	Swindon Core Library Service - ADM options appraisal summary
Version	v2.2
Author	Mutual Ventures
Date	March 2017

## 1. Executive Summary

**Background and context** - Swindon's library service is required to achieve savings of £1.5million by 2020, reducing service costs from £2.6m to £1.1m. These savings will be achieved via the restructuring of the service on two levels - the core library service and community-led local library services (CLLSs). The core library service is currently being restructured with a view to achieving its first stage target operating model by 1<sup>st</sup> April 2018 (target service budget £1.4m). It will be required to achieve further savings of £300k over the period 2018/19 to 2019/20, reducing the service budget from £1.4m to £1.1m by 2020/21.

The council recently published the 'Swindon Library Service - vision, strategy and delivery model' document that proposes an innovative delivery and resourcing model that through partnership, aims to secure a sustainable future for the library service.

The strategy outlines the intention to create a two-tiered library service that consists of 5 core libraries and a network of community led library services. Although separate structures, the two tiers will be required to work together to ensure the delivery of a co-ordinated and sustainable library service.

This options appraisal is designed to identify the optimum delivery model for the core library service. It considers a range of alternative delivery model options and identifies the option most likely to result in a sustainable service by 2020/21.

**Shortlist of delivery model options** - To ensure its future sustainability, the core library service delivery model is required to adopt a dual strategy of realising efficiencies and generating new income. From a longlist of delivery model options, a shortlist of potential options was identified:

- ▼ Remain in-house with re-engineering;
- ▼ Establishing as a Local Authority Trading Company (LATC);
- ▼ Establishing as a Public Service Mutual (PSM) - with or without charitable status;
- ▼ Establishing as a joint venture - with or without charitable status; and
- ▼ Outsourcing the service to an existing social enterprise.

A robust and objective analysis of each option was undertaken, informed by assessment criteria developed in consultation with a range of internal and external stakeholders. In addition, a financial model was developed for each shortlisted option.

**Summary of findings** - Informed by the analysis undertaken, the PSM with charitable status that is directly awarded the library service contract is identified as the preferred option. The overall performance of each option is illustrated below:

Final scoring	Score	Points available	% score	Position
Remain in-house with re-engineering	450	1175	38.3%	9th
LATC	775	1175	66%	8th
PSM				
Without charitable status - direct award	1025	1175	87.2%	1st
Without charitable status - via procurement	1012.5	1175	86.2%	3rd

With charitable status - direct award	1025	1175	87.2%	1st
With charitable status - via procurement	1012.5	1175	86.2%	3rd
<b>Outsource to an existing social enterprise or charity</b>	875	1075	81.4%	5th
<b>Joint venture</b>				
Without charitable status	950	1175	80.9%	6th
With charitable status	950	1175	80.9%	6th

The PSM option is well positioned to allow stakeholders to influence the strategic direction of the delivery model. The model also provides the service with significant commercial freedoms and the ability to make timely strategic, commercial and operational decisions. The option (with or without charitable status) is a financially viable option and is able to re-invest surpluses back into the library service. Decisions regarding how this surplus will be spent would involve staff, Friends' Groups and other external stakeholders.

Outsourcing the service to a not-for-profit provider is the next ranked option.

While a joint venture will bring several advantages (mainly relating to accessing commercial expertise and the benefits associated with a range of stakeholders assuming ownership and decision making roles), the complexity of establishing the model and the associated timescales represent a risk to the council. The option is ranked 6<sup>th</sup>.

The LATC option is ranked 8<sup>th</sup>. While the option enables the council to influence the strategic direction of the company, the LATC does not provide the service with the commercial flexibilities and access to commercial expertise required to offset the reduction in council funding. As the proposition assumes that the LATC will be directly awarded a contract via the Teckal exemption, there are inherent restrictions placed on the service in terms of external stakeholder influence and the level of revenue that can be generated outside of the core contract to the council.

Remaining in-house and re-engineering is the lowest ranked option. The option does not provide the core library service with the commercial freedoms or access to expertise required to increase the level of income generated. The option also limits the ability of stakeholders to influence the service in a formal capacity, while the current difficulties being experienced in relation to timely decision making are likely to continue.

**Salient issues for consideration** - A number of salient issues have been identified throughout the options appraisal:

- ▼ **Stakeholder appetite for the PSM option** - Those attending the assessment criteria development workshops requested the inclusion of a criterion relating to each option's 'ability to generate support for the delivery model option across a range of stakeholders (i.e. elected members, library service staff, library users etc.). It has not been possible to include this criterion within the main body of the options appraisal, as the workshops did not provide the required sample size from each stakeholder groups to consult with. Should the council wish to include this criterion, we recommend that a formal consultation process is undertaken to assess stakeholder appetite for each option;
- ▼ **Development of robust and evidence based business cases** - The council and core library service should ensure that detailed business cases are developed for each

identified growth area. These cases should provide evidence of the market analysis undertaken, in terms of the level of anticipated demand for each service and existence of competitors, in addition to the set-up costs and ongoing resourcing requirements for each service line;

- ▼ **Applying for charitable status** - There is a clearly defined process of applying for charitable status. While other library service mutuals have achieved charitable status, there remains the risk that any applicant may fail the application process. Should the council wish to establish a 'PSM with charitable status', it is recommended that expert legal advice is accessed to increase the likelihood of a successful application being made;
- ▼ **Portfolio analysis** - The light-touch portfolio analysis undertaken to inform the options appraisal highlighted the potential for transferring other services to the core library service delivery model. The council should undertake further work to investigate the desirability, viability and feasibility of each service joining the library service delivery model; and

## 2. Approach

The development of this options appraisal has been informed by several important stages:

- ▼ The delivery of a pre-options appraisal workshop in December 2016, attended by senior council officers, the Portfolio Holder for Libraries, library service staff and representatives from the council's business partners (e.g. Legal, HR, Procurement etc.).

Informed by discussions at the workshop, a report was developed to provide an analysis of the work undertaken to date in terms of assessing the desirability, viability and feasibility of various alternative delivery model options. A shortlist of delivery model options was identified within the report, informed by the gateway criteria that were defined during the workshop;

- ▼ Mutual Ventures facilitated a number of workshops with a range of stakeholders (including core library service staff, senior council officers, elected members and representatives from Friends' Groups and campaign groups) to develop the material used to inform the options appraisal. These workshops focussed on the following areas:
  - Stakeholder briefing sessions to explain the concept and characteristics of the main alternative delivery model options, as well as providing case studies from across the library sector;
  - A portfolio analysis was undertaken to consider whether a case existed for the core library service to be grouped with other services delivered or procured by the council (see section 7);
  - The development of assessment criteria to be used to assess the desirability, viability and feasibility of each shortlisted option (see section 12);
  - The core library service's growth strategy was examined and developed, including an exploration of current and new services, and considering which services could be 'scaled-back' or ended; and

- Propositions for each shortlisted option were developed in consultation with a range of stakeholders. A financial model (informed by the core library service's growth strategy and the characteristics of each proposition) was then developed.
- ▼ In addition to these workshops, Mutual Ventures submitted an information request to the council. Where responses have been received, this information has been used to inform the appraisal. Where information has not been received, this has been highlighted within the report;
- ▼ Informed by the above, Mutual Ventures undertook the scoring of each option. Clear rationale has been provided in terms of the scoring of each option/proposition against the assessment criteria, ensuring that the process has been undertaken in a transparent, objective and robust manner; and
- ▼ The findings from the options appraisal were discussed with senior council officers and the Cabinet Portfolio Holder in late March 2017, prior to the Leader of the Council seeking advice on possible recommendations during the week commencing 27<sup>th</sup> March.

**N.B.** The option of 'remaining in-house with re-engineering' was considered an option during the appraisal process. While a strong case against 'doing nothing' exists (as per the council's library strategy), the option of the service remaining in-house and undertaking re-design was considered during the main body of the appraisal, thus acting as an option in its own right.

### 3. Shortlisted options

#### 3.1 Longlist to shortlist

Each longlisted option was assessed against a number of gateway criteria during the pre-options appraisal process. These criteria represent the highest level of requirements, meaning that if a longlisted option cannot satisfy at least 75% of the criteria, it does not progress to the shortlist of options that are interrogated further during the main body of the options appraisal.

A summary of the gateway criteria used and the rationale for progressing/removing each option is provided below.

#### ▼ 1. Desirability

- 1.1 - Ability to generate support for new model across a range of stakeholders (i.e. elected members, library service staff, users, Friends Groups, businesses and community groups); and
- 1.2 - Ability for Council to ensure that the model prioritises the achievement of Council objectives/national deliverables.

#### ▼ 2. Viability

- 2.1 - Ability to generate new income and access new sources of funding (to ensure sustainability), reducing dependence on LA income; and
- 2.2 - Ability to generate social impact & value locally, including the use/reinvestment of surpluses.

### ▼ 3. Feasibility

- 3.1 - Likelihood of option to be implemented and operational during financial year 2017/18; and
- 3.2 - Ability of option not to realise the LA 'stranded costs'.

The summary findings of the gateway analysis is provided below, with full rationale provided within Appendix A.

Gateway criteria #	In-house with re-engineering	LATC	PSM or JV	Outsource to an existing social enterprise	Outsource the service to a for-profit provider	Outsource delivery responsibility to another LA
1.1	Pass	Pass	Pass	Pass	Fail	Pass
1.2	Pass	Pass	Pass	Pass	Pass	Pass
2.2	Fail	Pass	Pass	Pass	Pass	Fail
2.2	Pass	Pass	Pass	Pass	Fail	Pass
3.1	Pass	Pass	Pass	Pass	Pass	Fail
3.2	Pass	Pass	Pass	Fail	Fail	Fail
<b>Total pass</b>	5	6	6	5	3	3
<b>% pass</b>	<b>83%</b>	<b>100%</b>	<b>100%</b>	<b>83%</b>	<b>50%</b>	<b>50%</b>

As a result of this analysis, the following options form the shortlist to be analysed during the main body of the options appraisal:

- ▼ Remain in-house with re-engineering (base case);
- ▼ Establishing as a LATC;
- ▼ Establishing as a PSM;
- ▼ Outsourcing the service to an existing social enterprise; and
- ▼ Establishing as a joint venture.

### 3.2 Proposition development

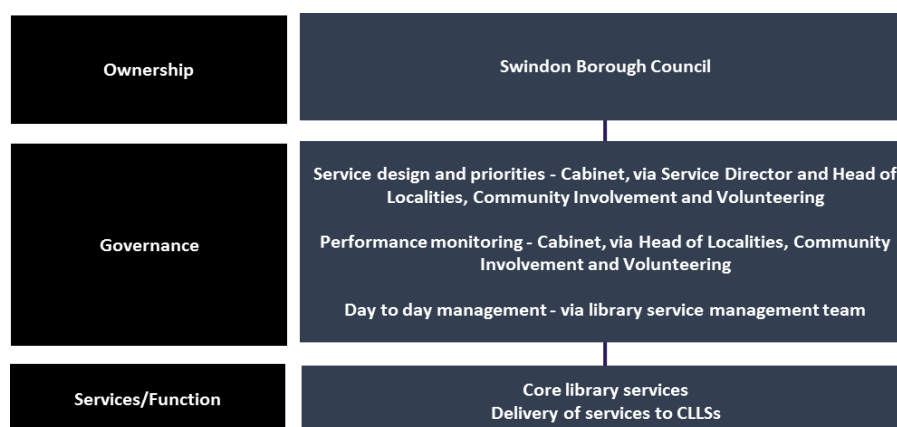
The intention is to develop each shortlisted option into a proposition. This process allows for an objective analysis to take place, as each option is developed into a tangible proposition (rather than a general concept) that can be tested thoroughly through the application of the assessment criteria.

Propositions for the five shortlisted options were developed in consultation with four stakeholder groups: the council's project team, representatives from the library service staff group, elected members and community/Friends' Group representatives.

### 3.3 Option 1 - Remain in-house with re-engineering

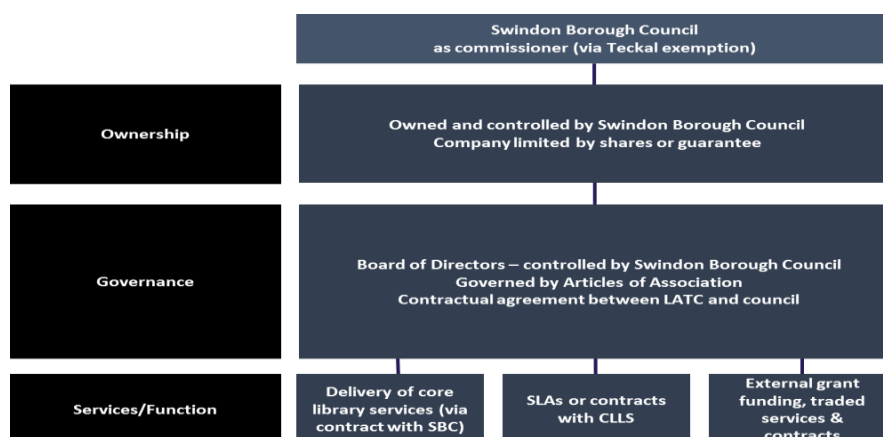
Option 1 involves the re-engineering of the core library service. The service would remain positioned within the council, with the council directly delivering the in-house service. The service would be required to focus on income generation and realising efficiencies, with a view to achieving a sustainable state by 2020/21.

The core library service would provide the required levels of support to the CLLSs operated by local communities (in line with the 2017-20 Vision).



### 3.4 Option 2 - LATC

Option 2 involves the creation of a LATC that would deliver core library services on behalf of the council (via a contract) and enabling support to the CLLSs (via SLAs and MoUs).



### 3.5 Option 3 - PSM

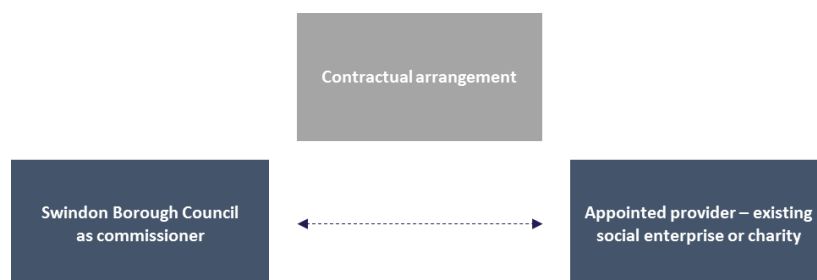
Option 3 involves the creation of a staff and community owned PSM.



### 3.6 Option 4 - Outsource to an existing not-for-profit provider



Option 4 involves the procurement of an existing not-for-profit provider (e.g. social enterprise or charity) provider to deliver the council's core library service and statutory functions.



### 3.7 Option 5 - Joint venture

For the purposes of the options appraisal, it is assumed that the core library service staff group wishes to consider procuring a third party with commercial expertise to join a joint venture. The joint venture partner would be considered as a 'commercial partner'.

A new entity would be established to create the joint venture. The commercial partner would jointly own the joint venture with the staff group and relevant external stakeholders (e.g. Friends' Groups).



## 4. Assessment criteria

The assessment criteria used to inform the options appraisal were developed during workshops attended by core library service staff, senior council officers, elected members and representatives from Friends' Groups and campaign groups.

Conventionally assessment criteria are developed to inform each of the following tiers of investigation:

- ▼ **Desirability** - To what extent does each option provided the council and core library service with the ability to achieve a range of strategic priorities?
- ▼ **Viability** - To what extent does each option provide the core library service with the ability to reduce dependence on Council income (e.g. the core contract) and promote the sustainability and resilience of the model?

- ▼ **Feasibility** - Can each option be established within the preferred timescales and within acceptable levels of cost?

Full details of the assessment criteria and scoring mechanism are provided below:

	Weighting	High score (10 pts)	Mid-score (5 pts)	Low score (0 pts)
<b>Desirability</b>				
Ability of new model to.....				
1.1 Enable stakeholders to influence the strategic direction of the delivery model	M	The proposed ownership and governance arrangements enable various stakeholders (i.e. staff, Friends' Groups, CLLs and community groups) to play a formal role in influencing the strategic direction of the service	The proposed ownership and governance arrangements enable various stakeholders (i.e. staff, Friends' Groups, CLLs and community groups) to play a informal role in influencing the strategic direction of the service	The proposed ownership and governance arrangements does not enable various stakeholders (i.e. staff, Friends' Groups, CLLs and community groups) to influence the strategic direction of the service
1.2 Ability of option to enable the council to ensure the delivery of the vision, pledge and priorities (as defined within the library strategy)	H	Appropriate mechanisms are in place to enable the council to ensure the service prioritises delivery of the SCL universal offer (in particular Literacy and Learning)	Some mechanisms are in place to enable the council to ensure the service prioritises delivery of the SCL universal offer (in particular Literacy and Learning)	No appropriate mechanisms are in place to enable the council to ensure the service prioritises delivery of the SCL universal offer (in particular Literacy and Learning)
1.3 Enable the council to manage reputational risk associated with the library service and statutory duties	H	Appropriate mechanisms are in place to enable the council to effectively manage reputational risks	Some mechanisms are in place to enable the council to effectively manage reputational risks	No appropriate mechanisms are in place to enable the council to effectively manage reputational risks
1.4 Enable the library service to achieve the required level of commercial freedom to ensure the service's sustainability	H	No commercial restrictions apply to the delivery model	Some commercial restrictions apply to the delivery model	Significant commercial restrictions apply to the delivery model
1.5 Ensure the ability to make timely decisions	H	The proposed governance structure will enable strategic, commercial and operational decisions to be made in a timely manner	The proposed governance structure may enable strategic, commercial and operational decisions to be made in a timely manner (e.g. more information required)	The proposed governance structure is unlikely to enable operational and strategic decisions to be made in a timely manner
1.6 Allow other services to join the model in the future	M	Option allows for additional services to join the model in the future	N/A	Option does not allow additional services to join the model in the future
<b>Viability</b>				
Ability of new model to.....				
2.1 Reduce the service's dependence on council funding	H	Option is forecasted to realise a surplus of over £75k in 2020/21	Option is forecasted to realise a surplus of between £1k and £75k in 2020/21	Option is forecasted to not realise a surplus in 2020/21
2.2 Re-invest surpluses into library services	H	Option allows for all surpluses to be re-invested back into library services	Unclear as to whether option would enable/required the provider to re-invest surpluses into the library service	Option does not require surpluses to be re-invested back into library services
2.3 Ensure that the council has sufficient time to re-arrange their back-office support services, with a view to avoiding any stranded costs	L	The option provides the council with 2 years to re-arrange their back-office support services, resulting in no 'stranded costs' being realised	N/A	The option does not provide the council with 2 years to re-arrange their back-office support services, resulting in no 'stranded costs' being realised
2.4 Independently set prices for traded (non-statutory) services	H	The delivery model has full autonomy to set prices for traded services	The delivery model has some autonomy to set prices for traded services	The delivery model will be subject to significant restrictions in setting prices for traded services
2.5 Apply for new sources of external funding	H	Option provides the library service with the ability to apply for new sources of external funding	N/A	Option does not provide the library service with the ability to apply for new sources of external funding
<b>Feasibility</b>				
Ability of new model to.....				
3.1 Establish within the preferred timescales	L	Option is likely to be established by 1st April 2018	Possible that option can be established by 1st April 2018, although significant risks exists	Option is unlikely to be established by 1st April 2018
3.2 Receive delegated authority to deliver statutory services on behalf of the council	H	The council is able to delegate statutory responsibilities to the delivery model	N/A	The council is unable to delegate statutory responsibilities to the delivery model
3.3 Be established within the require cost envelope identified by the council	L	Establishment costs anticipated to be <£100k	N/A	Establishment costs anticipated to be >£100k
3.4 Enable the service to access external expertise and leadership to address identified gaps	H	Option provides the ability for all of the following to take place: (i) recruit non-executives to the board; (ii) access expertise from a third party; and (iii) have access to the required level of funding to appoint a commercial manager	Option provides the ability for two of the following to take place: (i) recruit non-executives to the board; (ii) access expertise from a third party; and (iii) have access to the required level of funding to appoint a commercial manager	Option provides the ability for one of the following to take place: (i) recruit non-executives to the board; (ii) access expertise from a third party; and (iii) have access to the required level of funding to appoint a commercial manager

Once the assessment criteria were developed, each was assigned a weighting (high/medium/low) to demonstrate their level of importance. The weighting assigned to criterion is the value that the score for each option will be multiplied by:

- ▼ High - weighted value of 10;
- ▼ Medium - weighted value of 5; and
- ▼ Low - weighted value of 2.5.

For example, if an option achieves a mid-score against a criterion considered to be of 'high' weighting, the calculation is as follows: 5 (option's performance against the criterion) x 10 (weighted value) = 50 points

## 5. Scoring and rationale

Each of the assessment criteria have been applied to the propositions to identify the preferred delivery model for the core library service.

As outlined within sections 11.3 and 11.5, two options exist for the PSM and joint venture options (charitable/non-charitable). Where an assessment criterion tests the performance of each option in relation to its viability and feasibility, two scores are given. The performance of both iterations are analysed in the final scoring and conclusions section (see section 13.4). Similarly, where the options of either directly awarding the contract or undertaking a procurement process is available, two separate score for each option are given.

### 5.1 Final scoring and conclusions

The scoring of options for the full options appraisal is as follows:

Final scoring	Score	Points available	% score	Position
<b>Remain in-house with re-engineering</b>	450	1175	38.3%	9th
<b>LATC</b>	775	1175	66%	8th
<b>PSM</b>				
Without charitable status - direct award	1025	1175	87.2%	1st
Without charitable status - via procurement	1012.5	1175	86.2%	3rd
With charitable status - direct award	1025	1175	87.2%	1st
With charitable status - via procurement	1012.5	1175	86.2%	3rd
<b>Outsource to an existing social enterprise or charity</b>	875	1075	81.4%	5th
<b>Joint venture</b>				
Without charitable status	950	1175	80.9%	6th
With charitable status	950	1175	80.9%	6th

**Overall findings** - The PSM option (in all guises) is identified as the preferred option.

Outsourcing the service to a not-for-profit provider is the next ranked option.

While a joint venture will bring several advantages (mainly relating to accessing commercial expertise and the benefits associated with a range of stakeholders assuming ownership and

decision making roles), the complexity of establishing the model and the associated timescales represent a risk to the council. The option is ranked 6<sup>th</sup>.

The LATC option is ranked 8<sup>th</sup>. While the option enables the council to influence the strategic direction of the company, the LATC does not provide the service with the commercial flexibilities and access to commercial expertise required to offset the reduction in council funding. As the proposition assumes that the LATC will be directly awarded the contract via the Teckal exemption, there are inherent restrictions placed on the service in terms of external stakeholder influence and the level of revenue that can be generated outside of the core contract to the council.

Remaining in-house and re-engineering is the lowest ranked option. The option does not provide the core library service with the commercial freedoms or access to expertise required to increase the level of income generated. The option also limits the ability of stakeholders to influence the service in a formal capacity, while the current difficulties being experienced in relation to timely decision making are likely to continue.