

CWOP/48/10

Policy & Scrutiny Committee Community Wellbeing and Older People
Date 9 December 2010

Libraries: Goldlay Gardens

Report by: Susan Carragher, Director of Libraries and Culture/
 Martin Palmer, Principal Officer, Libraries
Telephone: 01245 434 105/ 01245 284981
Email: robert.fox@essex.gov.uk

Target Operating Model for the future of the Library Service in Essex

Why Develop a Libraries Target Operating Model?

The Government has set a transformation agenda for local government. Councils are seeing unprecedented budget cuts whilst at the same time being required to deliver better service quality and outcomes. Councils are also being challenged to do things differently; localising services, creating productive partnerships with organisations from the public, private and third sector, and rethinking how services are delivered altogether.

Essex County Council's response has been bold. It has set a £300 million cost reduction transformation programme to be achieved by April 2013 and each directorate is developing a new target operating model to deliver this or develop a contributory new income streams (Library TOM does not save money); redesigning how they work by commissioning out services, creating local partnerships, identifying appropriate delivery vehicles, and so on.

The Draft Target Operating Model (TOM), therefore, describes the way that we will, in future, work and organise ourselves to deliver services. In developing a proposed Target Operating Model for the library service a number of organisational options were appraised in the context of the Essex transformation agenda as well as emerging ideas within the library service in the UK.

As the Library TOM is primarily positioning the service to trade with other Council's and organisations the detail behind the TOM is commercially sensitive and still subject to staff consultation, the description is, by necessity, a high level depiction of the future organisation.

The Library Service and context for change

The library service operates 73 libraries across the County with a net budget of £22.1m (2010-11) and employs 486.5 whole time equivalent employees. Essex Library service is a high performing one and against key indicators is in the upper quartile of County Councils and it is a service that is highly regarded by Essex residents. Based on latest data available over 90% rated the library service as 'very good' or 'good' half of one percent viewed the service as poor or very poor.

Recently Essex County Council's Library Service has been announced as the successful bidder for the delivery of Slough Borough Council's Library Service over the next five years. Slough carried out a review of its library service a year ago and at the time the Cabinet decided to seek another partner to help improve the service and reduce administration costs. It established an OJEC (Official Journal of the European Union) tender process, from which Essex was selected, ahead of commercial rivals. Essex County Council will take over the running of the Slough Libraries from January 2011.

A vision for the Essex Library Service remains core to any future service delivery:

To deliver a first-class public library service based on reading, access to information and learning, through our libraries in the heart of Essex communities.

The Government has been encouraging a market and a plurality of providers in library services for a number of years. In early 2007 it published a working paper on developing a market in library provision¹. That said, only four library services in England (Hounslow, Wigan, Luton and Peterborough) have moved to an alternative model, although we are aware of others who are in process of considering alternatives.

Hounslow

John Laing Integrated Services were awarded the contract by the London Borough of Hounslow to manage 11 libraries as well as parks and open spaces, allotments, cemeteries and theatre. A £5.7 million library capital investment programme will be delivered during 2009/2010 that will refurbish and refresh the boroughs libraries. The contract for the parks is for 10 years and 15 years for the libraries.

Wigan

Wigan Leisure & Culture Trust (WLCT) was formed in 2003. The organisation is a charitable trust working on behalf of Wigan Council to manage and support Leisure and Cultural facilities, initiatives and events for over 300,000 residents across the Wigan Borough.

WLCT is sustained by a combination of external funding and income generation, including an annual grant from Wigan Council. The Trust is a registered charity and a social enterprise, which means that any surplus income generated must be invested in improving facilities and services for the people of the Borough.

Other library arrangements

¹ Developing the local government services market – New ways of working and new models of provision within the public library service – a working paper (February 2007)

Luton, Peterborough and Glasgow have established Trusts or similar structures for their leisure and library services and we are aware of a number of unitary authorities that are actively considering tendering the management and operation of their library services.

All of this debate is taking place during a period of ongoing public sector financial restraint where questions of the level and quality of provision, along with funding sources, will inevitably need to be raised.

TOM Option Appraisal

In order to determine which operating model was appropriate to deliver the vision a structured evaluation of the alternatives was undertaken by the project team. The options considered, alongside Business as Usual, were:

Option	Description
Business As Usual Plus Trading Arm	Direct service provision – and also exploit trading opportunities with other public bodies and establish explicit commissioning function
Local Authority Trading Company	Establish Local Authority Trading Company under Local Government Act 2003
Social Enterprise	Establish independent not for profit company
Tender Out Service	Tender service to third party supplier

The pros and cons of these options were considered by the project team.

Option	Pros	Cons
Business As Usual Plus Trading Arm Direct service provision – and also exploit trading opportunities with other public bodies and establish explicit commissioning function	<ul style="list-style-type: none"> Minimal disruption Ability to generate some additional income from other public bodies Currently high performing service Ability to deliver LAA agenda Stability whilst providing ability for future change Support from users & staff 	<ul style="list-style-type: none"> Risk of trading with other public bodies remains with Council Inability to trade with non public sector bodies & public Contrary to TOM modelling Transformation may be compromised
Local Authority Trading Company Establish Local Authority Trading Company under Local Government Act 2003	<ul style="list-style-type: none"> In line with ACHW Target Operating model Potential to generate third party income Clear commissioner provider split 	<ul style="list-style-type: none"> Trading opportunities may be limited for library service Trading activities limited by 1964 Act TUPE transfer limit opportunity for financial savings Benefits over current operating

Option	Pros	Cons
	<ul style="list-style-type: none"> • Incentivised to make financial efficiencies • Risk mitigated by company structure • Ability to trade and seeking commercial opportunities • Maintain Council control / influence • Retention of brand • Opportunity to realise commercial (and as such shareholder) value • Flexibility – does not 'fix' future – options remain open • Transfer risk and potential liability from Council • Previously trodden path for Essex 	<p>model may be limited</p> <ul style="list-style-type: none"> • Implementation costs not insignificant • Council's financial commitment (exposure) effectively fixed for contract term

Option	Pros	Cons
Social Enterprise Establish independent not for profit company	<ul style="list-style-type: none"> • Potential to have charitable status and have business rate relief • Precedents in Leisure / Library Trusts elsewhere • Potential to generate third party income • Clear commissioner provider split • Ability to embed public service ethos • Ability to attract external finance • Able to create flat and nimble decision making structures • Potential to have charitable status although implications for VAT recovery • Transfer risk and potential liability from Council 	<ul style="list-style-type: none"> • Trading activities limited by 1964 Act • TUPE transfer limit opportunity for financial savings • Loss of Council control / influence • 'Fixes' the future • Implication for assets as Social Enterprise would require long term interest • Implications for partnership / joint working • Current funding market uncertain
Tender Out Service Tender service to third party supplier	<ul style="list-style-type: none"> • Transfer of risk to third party • Promotes commissioning led model • Well understood process • Transparent testing of VFM 	<ul style="list-style-type: none"> • Market undeveloped • Market capacity & interest uncertain • Trading activities limited by 1964 Act • TUPE transfer limit opportunity for financial savings • Future flexibility limited by contract

These options were scored against the following criteria:

- **Strategic fit** – alignment with the Council's direction of travel and target operating model;
- **Service transformation** – ability to deliver the vision of Essex Library Services over the next five years;
- **Savings potential**– ability to generate future cost savings;
- **Affordability** – within current and planned budgets going forward;
- **Feasibility** – deliverable within a reasonable timescale and resources;
- **Acceptability** – stakeholder views in respect of library users, residents and Essex communities.

The LATC and BAU Plus scored highest and was then subject to financial analysis. However, as the result of increasing financial pressures and direction given by PLT / CLT the recommendation was to focus on a LATC Model with significant external trading ability. A draft business case was presented to the Outcomes Board on October and a full business case is being developed for the Outcomes Board in March 2011.

Libraries Target Operating Model

A Local Authority Trading Company is an innovative new model available to public sector services, which enables them to operate as independent trading companies in which the Council operates as the key shareholder. Employees would be transferred to the trading company with their employment conditions protected by TUPE. This model offers benefits in providing the ability to operate independently in the market, competing for commissions. Essex County Council has a proven track record in establishing these companies having set up Essex Cares last year to deliver a range of services for older and learning disabled people.

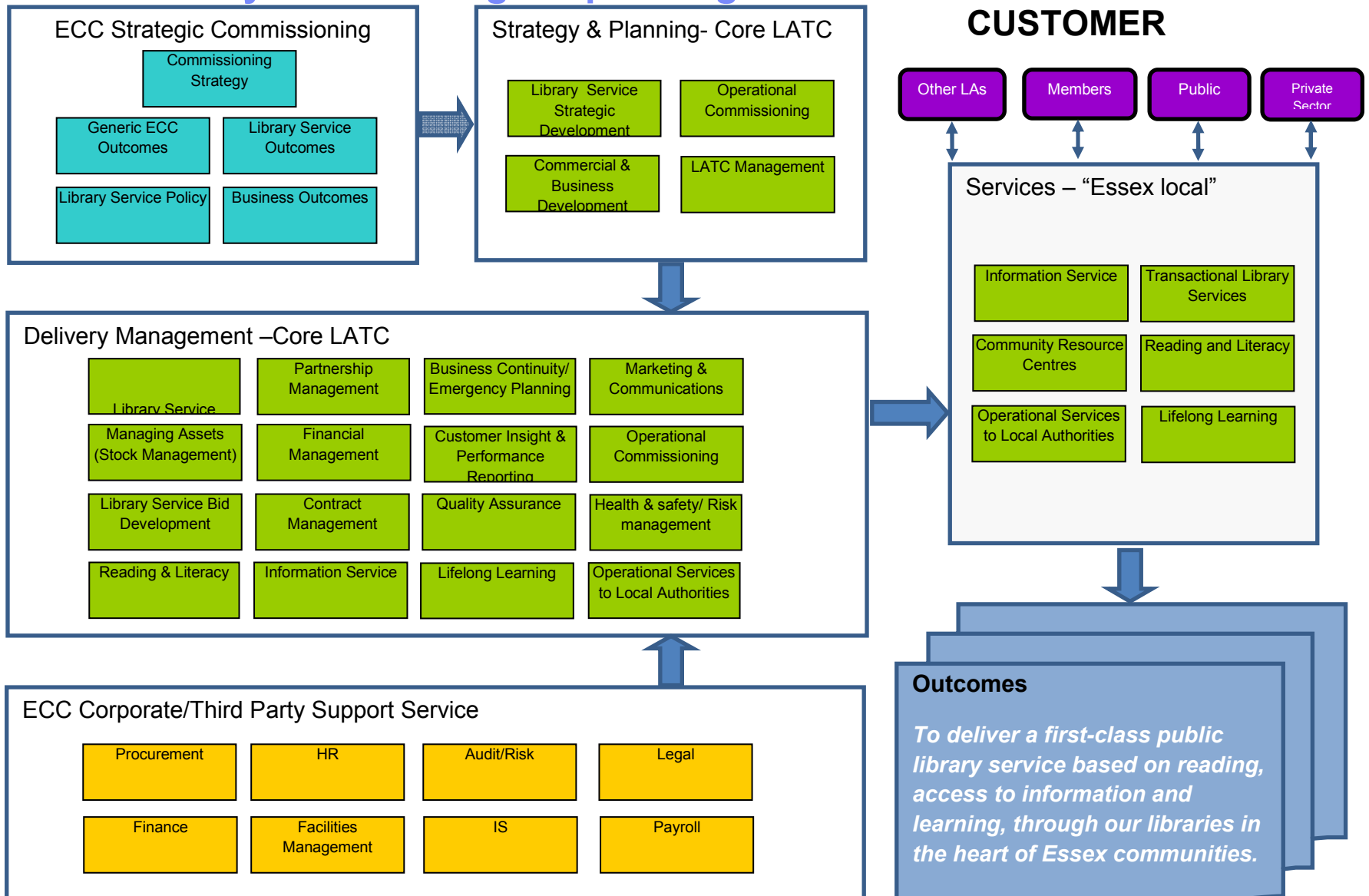
The Libraries LATC will create a sustainable vehicle for delivering the Library service in Essex that will deliver the agreed Library Service Vision. This option will enable the ability to trade with other authorities, the public and private sector – for example, by running library services for other authorities.

Local Authority Trading Company

Key

- ECC Retained Service
- Contracted Out
- Trading Company LATC

Draft Library Service Target Operating Model LATC



*These components are subject to change