



**REPORT OF THE SERVICE DIRECTOR, YOUTH, FAMILIES AND CULTURE**

**LIBRARIES, ARTS, ARCHIVES, INFORMATION AND COMMUNITY  
LEARNING SERVICES: FUTURE OPERATING MODEL**

**Purpose of the Report**

1. To invite Members of the Committee to comment on and note the development of a business case for establishing an arm's length operating model for Libraries, Arts, Archives, Information and Community Learning services. This report will be accompanied by a presentation at the meeting, providing further information.

**Information and Advice**

2. This report provides summary level information regarding the establishment of an arm's length operating model for Libraries, Arts, Archives, Information and Community Learning Services. Further information is provided in **Appendix 1** and in the officer presentation to accompany this report that will be delivered at the meeting.
3. The Libraries and Archives outline business case, as approved by Full Council at its February 2014, aims to retain a sustainable network of libraries and enable the County Council to fulfil its statutory and legal duties in relation to public libraries and archives.
4. In year 3 (2016/17) of the business case it is proposed to move the Service to an arm's length operating model to generate immediate savings (£300-400,000 per annum) from reduction in business rates.
5. In addition, there are a number of advantages to establishing trust/social enterprise status, which can be achieved whilst enabling the Council to retain control and accountability of its public libraries and associated services, through a detailed service specification and contract.
6. These additional advantages include:
  - active engagement of stakeholders / customers
  - co-operative style membership – public / staff
  - enterprise dividend/ commercial freedoms
  - increased eligibility for grant funding
  - long term service sustainability
  - services more responsive to users needs
  - strengthened community engagement.

7. A number of UK public library, archive and adult learning services are operated at arm's length; these include:
  - Suffolk Libraries – Industrial Provident Society
  - Luton Culture – Charitable Trust
  - Wigan Leisure and Culture - Charitable Trust
  - Warrington Livewire – Community Interest Company
  - Aspire Sussex – Charitable Trust
  - Explore York (Libraries and Archives) – Community Benefit Society
8. Several other councils are currently actively progressing a form of arm's length model for their library and archive services, including Kent County Council – Libraries, Registration and Archives.
9. Arm's length management arrangements have previously also been established by the County Council, including Nottingham and Nottinghamshire Futures and the National Water Sports Centre (Holme Pierrepont Leisure Trust).
10. The process of moving a service to an arm's length model is generally estimated to take between 18 and 24 months. A range of factors and issues need to be agreed before any new arrangement can be implemented and these include:
  - establishing a Council specification and contract for services
  - creating an effective governance structure
  - selecting and establishing the new legal entity
  - establishing management arrangements for property / finance / ICT matters
  - ensuring service continuity and resilience
  - determining staffing terms and conditions / pensions
  - resolving the arm's length body's use and disaggregation of central support services.
11. The Council's improvement programme through the Cultural Service Transformation Board is supporting the consideration of moving to an alternative operating model.
12. The Cabinet Office, through its mutualisation support programme, is providing specialist support to enable the creation of mutual organisations to become 'mutual ready' to deliver public services. This support has a value of up to £100,000.
13. The County Council will retain its statutory or legal duties to provide a public library service and make proper arrangements for its archives.
14. The Council will continue to set service standards and overall priorities through the development of a service specification, key performance measures and the letting of a formal contract to the new body.
15. Buildings, bookstock and the archives and other key assets will remain in the ownership of the County Council. The new body will not be able to dispose of assets unless agreed with the County Council.

16. Community Partnership Libraries established that require ongoing support will be included within the contract between the Council and the new body.

### **Other Options Considered**

17. No other options have been considered.

### **Reason/s for Recommendation/s**

18. Nottinghamshire County Council faces unprecedented financial challenges and thus further savings will be required. The business case identifies that an arm's length operating model provides an opportunity to sustain the benefits and opportunities Libraries, Archives, Arts and Community Learning provide for people and communities in Nottinghamshire.

### **Statutory and Policy Implications**

19. This report has been compiled after consideration of implications in respect of finance, public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

### **Implications for Service Users**

20. The development of an alternative operating model would increase customer engagement. The Council will continue to decide the delivery model, standards and overall priorities of the services through its contract with the new body. A detailed process of stakeholder, customer and community consultation will be required in the formation of the alternative operating arrangements.

### **Financial Implications**

21. The move to an alternative form of governance through the formation of an arm's length body will enable the service to make the proposed level of savings in 2016/2017.
22. Work is underway to establish and quantify the relevant set up costs, but they are not known at this time. It is anticipated that some of the requirements are likely to be met from the mutualisation support programme of the Cabinet Office, with the balance being met from within existing resources within the Departmental budget. If, once quantified, any residual costs after use of the mutualisation fund cannot be met from the Departmental budget, approval will be sought to access corporate contingencies.
23. Increased access to grant funding will be facilitated once the service is not directly delivered by the County Council.

## **RECOMMENDATION/S**

That:

- 1) Members of the Committee comment on the development of the business case for establishing an arm's length operating model for Library, Archive, Arts, Information and Community Learning services
- 2) the report be noted.

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### **Constitutional Comments (NAB 20/05/14)**

24. Culture Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

### **Financial Comments (KLA 14/05/14)**

25. The financial implications of the report are set out in paragraphs 24 to 26 above.

### **Background Papers and Published Documents**

Libraries and Archives Business Case B13 – report to Full Council on 27 February 2014

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

### **Electoral Division(s) and Member(s) Affected**

All.

C0423

### Business Case – Answers to key questions

#### Why is this service better as arm's length organisation than an in-house service – what are the benefits of doing this?

There are various benefits of moving to an arm's length operating model.

**Financial** – this approach allows for the development and delivery of sustainable quality assured services through exploiting financial resources in the following ways:

- The new model can register as a charity, thus enabling savings to be made on business rates through NNDR rate relief
- the service can access new external sources of funding as a charity and a non local authority which aren't currently available to the service
- savings can be made on reducing central and overhead charges
- the service can be more entrepreneurial, pursuing sponsorship, donations and other forms of income generation
- the ability to bid for grant funding currently not available to local authorities
- savings can be made by varying terms and conditions of new staff

#### Staff

- increased engagement with staff through new governance arrangements
- a more direct voice / share in running their organisation
- enabling devolved decision making according to community profile and need
- retaining, recruiting and releasing talent
- providing role and skills development opportunities for a stable cohort of staff
- provide new work environments and job opportunities

#### Customers and Volunteers

- increased community engagement, voice and ownership through new governance arrangements allowing for direct input at local/ board level
- additional opportunities to volunteer and support a local service
- sharing of specialist knowledge through support in kind (via board or membership)
- can be involved in an organisation that is not for profit and is specifically designed to meet their needs

#### Elected Members

- retain control as the Council retains its statutory duty to provide a comprehensive and efficient library service, which it would exercise through the contract
- ability to maintain an influence whilst enabling a sustainable service to be delivered

- be able to have enhanced relationships with their local service through engagement with the local library and via the new governance structure
- have formal reporting lines to Culture Committee on performance, initiatives and policy

**What is your vision for the business – can you nail down what you’re trying to create long term?**

The vision for the new social enterprise will build upon the success of the current strategies for Nottinghamshire Libraries, Archives and Adult Community Learning Services.

A revised mission statement will be developed to emphasise the overall benefits of the new operating model, linked to the council’s new strategic plan. Underpinning the new model will include greater community ownership, customer engagement and staff participation in owning and shaping services.

Core impacts will centre on improving lives of individuals and the community through the benefits of:

- Literacy and Reading
- Lifelong Learning, Information and Digital Inclusion
- Archives, and Heritage
- Arts and Culture
- Community Life and Space

**Can you explain clearly the improvements to the end-user and the value this would create to the public purse?**

Customers will:

- Have the opportunity to directly engage with the service not just as a consumer but through a new form of individual or community membership
- Be able to input directly into decision making at local, network and/ or board level
- Have additional opportunities to volunteer and offer their time and skills for the good of their community
- Benefit from financial savings and increased income achieved through social enterprise advantages being reinvested into the service
- A new relationship with individuals and community organisations would expand the potential for libraries to be at the heart of the community.

The public purse would gain greater impact for its investment as the enterprise and community ‘dividend’ is generated.

**Can you explain how you will use the freedoms you say you will gain to create additional public benefits – and specify what these will be?**

This is too early to be definite but there are clear areas of opportunity to exploit the potential of Libraries and Archives as community hubs for Reading, Learning, Information, Heritage and Culture –

- Active membership, involvement and advocacy
- Commercial / social enterprise activity to generate income and supported employment
- Community service design – engaging in a new way local communities in how the service is delivered and changes
- Cultural opportunities with a wide definition
- Digital inclusion – preventing exclusion to services and opportunities
- Heritage – giving each locality a place to document and celebrate their story
- Joined up services for the customer – the front door to local authority, central government and voluntary sector services
- Learning for all – at all levels
- Literacy – improving educational and life chances
- Market segmentation – flexing the service to meet community and individual needs
- Public realm – a unique community space for all - greater access and exploitation of our buildings and spaces as a community resource
- Retention of an extensive accessible network of community buildings
- Sustainable services – attracting new sources of funding
- Support business start-ups and offer of local high streets

### **Who do you have committed to this journey?**

Senior members are supportive and view the move to arm's length as a key part of the Council's recently published consultation 'Redefining Your Council'. This group of services would be in the vanguard of this approach.

Senior officers, including the Corporate Director, Service Director, Head of Service and the Libraries, Archives, Information and Learning Leadership Team are committed to this journey.

### **Does it include wider staff?**

All staff were able to attend face to face briefings in November 2013 to share future options. A detailed and planned approach to staff engagement commenced in April with an open letter to all staff outlining the development of the arm's length development. Workshops were delivered for all staff during May 2014.

The staff engagement and communications work will be given high priority, as the engagement of staff is key to the success of the project.

A parallel public engagement plan will be implemented from June 2014 to inform public opinion and gather views of customers, stakeholders and the wider community.

### **How committed to this are you?**

We are committed to ensuring the value and benefit of services are retained for Nottinghamshire in a sustainable and responsive way.

### **How will you be accountable to those providing funding?**

## **What are the proposed governance arrangements?**

### **What will be the size of board?**

Clear accountability and control will be managed through a contract between Nottinghamshire County Council and the new organisation. The contract will include a well-defined service specification and performance management targets.

An initial options appraisal has been undertaken which has narrowed the choice of preferred governance structures to the two models of Industrial Provident Society (IPS) – Co-operative Society (such as Suffolk Libraries) or Community Benefit Society (such as York Explore).

This decision is subject to legal advice, and further work will be undertaken to establish the most appropriate model for Nottinghamshire. Adherence to the legal structures of the appropriate vehicle will inform the governance that is employed.

In both examples the relationship between the local councillor and the service has been strengthened through the new governance structures.

For illustration purposes, the Suffolk Libraries IPS has a board of 7 people elected by the IPS member organisations (library friends groups or parish council) and a Chief Operating Officer. York Explore has 7 board members (2 paid 5 Non-Executive Directors) including 1 Council appointment, and is owned 66% by the community and 33% by staff.

The form of legal entity will influence the membership of the board. The board is seen as an opportunity to bring external skills and experiences to the new body. A shadow board will need to operate at least 9 months in advance of the go live date of the contract.

### **If you fail, what are the consequences and who is responsible for picking up the pieces?**

Nottinghamshire County Council retains the statutory responsibility for the library service and its duty to make proper arrangement for its records, and will be able to terminate the contract in the event of business failure.

The County Council would then have to bring the service back in-house or find an alternative provider.

There would be an asset lock protecting the Councils assets including buildings, ICT equipment, archives and book stock.

If the business case for libraries and archives is not completed through moving the service to an arm's length form of operating there will be a £375K budget gap in 2016/0217.

### **What are the proposals for back office costs?**

Work has started to identify back office costs so that an agreement can be reached. Finance has provided an outline paper, and further work with ICT and HR colleagues is underway.



The preferred approach will be to identify cash amounts, which will be released directly to the social enterprise with an agreement reached for a set period of buy back to ensure business continuity for the new operating unit and forward planning for Nottinghamshire County Council.

Corporate Leadership Team (CLT) has agreed a methodology to apportion central costs, which will facilitate the process in moving to an arm's length body. Overall principles to be applied to the process have been agreed also by CLT to enable detailed work to proceed.

### **Will these be bought back for an initial period?**

This is dependent on the service provided, in some areas yes for at least the first year. The overall principle agreed is that new bodies should exercise their independence through choice in relation to central and support services.

### **How will the fixed costs of the council be dealt with?**

In the event that a service or facility is provided, that cannot be disaggregated, or is not economically viable then access to those resources should be continued as if the service were directly delivered.

### **How will you ensure the Trade Unions are fully engaged and embrace the idea?**

This will be regular liaison meetings with Trade Unions, in particular Unison, which will sit alongside engagement with all staff colleagues.

### **What are the biggest risks?**

The risks identified at this stage are:

- Central and corporate support in providing timely and full information needed for the successful identification of assets e.g. property and disaggregation of costs where appropriate.
- Council budget pressures
- Public misunderstanding and possible resistance to the idea. A comprehensive consultation and then engagement plan will mitigate against this.
- Resistance to change from library staff. The project depends on staff engagement in order to think differently and implement new ways of working. Staff engagement and leadership from senior colleagues and members will help to mitigate this.
- Skills gaps in leading the process of change and fulfilling the new requirements. This will be mitigated by a successful bid to the Cabinet Mutuals Support Programme, which provides funding for specialist advice on such matters as HR, finance, legal, tax and business planning.
- Support and leadership from County Councillors and Senior Officers

**Can the model prove to be sustainable?**

This is dependent upon the Council and the new organisation developing a sustainable relationship with as much contract and financial certainty as possible. Efficiency gain share and guarantor role of Nottinghamshire County Council will be required.

**Who will lead the set-up to the new model of delivery?**

Group and Team Managers from Libraries, Archives, Information and Learning with support from colleagues from the improvement programme. Specialist support e.g. legal will be provided by the mutualisation support programme.

**Workforce – numbers to be transferred – process of transfer and all on existing terms and conditions?**

There are currently approximately 540 staff employed by Libraries, Archives, Arts, Information and Learning. Specialist advice will be taken on the process of transfer, and TUPE will be used.

**What financial savings can be expected and when?**

2016/2017 – completion of £1m savings (£375,000).

**How does this compare to an in-house option?**

The opportunity to further reduce expenditure, maintain the current library network and meet the council's statutory and legal duties is very limited.

**What will it cost the council to set up and is there still a net benefit?**

Costs are unknown although the mutualisation support programme will provide specialist advice, support and experience.

**What are the financial risks if this doesn't work out?**

The risk to the council is in delivering its services and agreed budget reduction in 2016/17.

**Studies report increase in productivity and innovation – what could the council expect from the new body?**

The new social enterprise will have the ability to react quickly, develop and employ technological solutions, which meet the specific needs of the organisation and customers and have access to alternative funding streams that are currently out of reach. This will enable the new organisation to meet its needs in a timely and innovative manner for example - developing online sales and online ticketing.

Staff ownership of the service and its success will encourage greater creativity and enterprise to maximise the potential of the services. A culture that is no longer reliant on the council would be developed freeing thinking that can hold services back and slow innovation.

The council would through careful messaging be able to enhance its reputation as funder and commissioner as the new body became more innovative.

The council would also be able to continue and enhance its use of the services as the face to face interface with services and the council as a whole. Reputational gain for the County council would continue.

**What happens if the company holds reserves at the end of the contract and someone else then wins the contract?**

If the contract ends the new body would need to meet its liabilities on closing the organisation down. Any surplus following this would be gifted to the service for investment.