

# Suffolk Libraries 2011 Best Value Evaluation Report



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## Suffolk Libraries: Best Value Evaluation Report

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## **Section 1 - Best Value Evaluation for Suffolk Libraries**

- Best Value Evaluation for Suffolk Libraries: Process and Criteria
- Suffolk Libraries: Best Value Test Criteria
- The Evidence Base
- Evaluating the Evidence: Methodology, Summary of Results and Recommendations

### **1.1 Best Value Evaluation for Suffolk Libraries: Process and Criteria**

#### **Background**

In July 2011, following the Cabinet paper on the future of the library service and associated Library Review 2011, the Council approved the outline description of what library services should offer and the access model which guides where library services should be delivered. In addition, the Council approved a commission to conduct a best value evaluation of three proposed structural models which would describe how library services could be delivered going forward. The three models proposed were an in-house business unit; an SCC wholly owned company; and an independent social enterprise.

#### **Timeline and Stakeholder Involvement**

The Business Development team within the County Council was commissioned to undertake the best value evaluation. The design of the approach was drafted in August and the review of evidence has taken place during September and October as key documents have been completed, with a final summative evaluation exercise being completed during the first half of October.

It is important that the Best Value evaluation is conducted as an independent and objective process. However, it is also important that the process is open and transparent and consults with key stakeholders. The evaluation team presented the approach to be taken and the criteria to be adopted for approval by the Libraries Steering Group, chaired by the Portfolio Holder and has provided regular reports to the Libraries Project Board chaired by the Library Transformation Lead.

In addition, representation had been made to Council by a number of the library campaign groups, asking to be part of the evaluation process. In response to this, and to the principles of best value, a stakeholder workshop was held on 26 September for an invited audience of people involved in campaign groups and pilot libraries, to share the approach and findings to date, and to take comments and suggestions.

## **Best Value: A Definition**

Best Value as a process has been used widely in the private and public sectors to secure cost-effective services. Whilst there are many variations in definition, the following one has been used for this exercise:

*“a process used to select the most advantageous offer by evaluating and comparing factors in addition to cost or price”*

Best practice recommends that a range of criteria should feature in the evaluation work including:

- Quality and benefits of the solution
- Quality of the performance metrics and measurement approach
- Risks associated with the solution
- Management approach and controls
- Management team (limited number of key personnel)
- Past performance (how well the contractor has performed)
- Past experience (what the contractor has done)

There is a marked emphasis on quality measures and controls which we have included in our considerations.

In the 1990's best value approaches were widely promoted in local government. Commonly, the framework approach used the “4 C's “ to guide the process:

- Challenge
- Comparison
- Competition
- Consultation

At that time, there was often great difficulty in applying all four tests, especially the competition test, as there were few alternative providers offering services like those supplied by the local authority.

For the purpose of this evaluation, we have sought to retain the robustness of objective comparison and challenge within the process, and to use the feedback from the original libraries consultation to inform the creation of a suite of best value test criteria. We also provided input into the Library Stakeholder event on 26 September where our approach was outlined and where we listened carefully to the comments and suggestions of the participants. As a direct result of that event, we added an additional test criterion to the list.

We have paid careful attention to the principle of best value to achieve a balance between financial advantage and advantages offered by other criteria. The scope of other criteria to be taken into account has been taken from the principles highlighted in the Library Review and Cabinet Report from July 2011:

- How would the model meet the needs of local people in terms of accessibility (local provision and support for vulnerable groups)
- How would the model deliver the aspiration for local governance?
- How would the model be able to promote co-location of services?

A key challenge faced by the team has been to evaluate models of delivery as opposed to existing service providers. Suffolk’s approach is at the leading edge of new ways of thinking about service delivery. We have monitored what is happening elsewhere in the country but have not found a parallel development which shares the scale of ambition that exists in Suffolk for communities to be at the heart of library delivery. The evaluation has therefore surveyed uncharted territory in some respects, but has sought to ensure that where theoretical modelling has been used for evidence, that the documents have been reviewed and approved by specialists in financial, legal, property, procurement and social enterprise development.

## 1.2 Suffolk Libraries: Best Value Test Criteria

The outcome of the scoping exercise for the evaluation was the development of four key tests against which to assess the structural delivery options: the statutory test; the financial test; the aspirations test; and the sustainability test. The lines of enquiry for each test are outlined in the table below.

<b>Best Value Test Criteria for Suffolk Libraries</b>	
<b>1</b>	<p><b>Statutory test: Will Suffolk County Council be able to meet with this option its statutory obligations?</b></p> <p>a. Can a secure mechanism be established for the option to set up and maintain service standards?</p> <p>b. Can the statutory duty to maintain a whole network of libraries be met? – confidence that library network is sustainable under this option</p>
<b>2</b>	<p><b>Financial test</b></p> <p>a. How much will the delivery of this option cost?</p> <p>b. How much saving will be made?</p> <p>c. What are the set-up costs?</p> <p>Consideration to be given to:</p> <ul style="list-style-type: none"> <li>▪ Net costs for the county council over the next 3-5 years</li> <li>▪ One-off set-up costs (cost of change including any redundancy costs)</li> <li>▪ When will savings be achieved (i.e. will savings happen in Year 1/Year 2 as a result of transition phasing)</li> <li>▪ Running costs – include consideration in the non-in-house options of potentially changed Terms &amp; Conditions, new back office providers etc.</li> <li>▪ If not in-house, costs for the County Council to commission the services</li> <li>▪ If not in-house, reduced management overheads from externalisation of service</li> </ul> <p>d. How likely is it that the modelled savings will be achieved or surpassed?</p>

## Best Value Test Criteria for Suffolk Libraries

e. What is the potential for income generation?

### 3. Aspirations test: To what extent does the option meet the Council's aspirations? How important are these aspirations to the Council?

- a. Meeting customer expectations/needs:
  - a.1 What will be the customer perception of the service (particularly reputation of existing in-house service)
  - a.2 Will quality assurance framework be able to ensure quality?
  - a.3 Will option allow for the current network to be maintained and expanded? Local access for children and older people or vulnerable groups)
  - a.4 Will option maintain/improve libraries as a place to meet?
  - a.5 Will option maintain or improve opening hours?
  - a.6 Will option continue to provide qualified/ trained staff in libraries?
  - a.7 Will option provide the same degree of access to central stock?
- b. Enhancing governance for this service – vision: stronger community governance:
  - b.1 How will option deliver the Council's aspiration for local governance?
  - b.2 What scope does option have to accommodate different levels of responsibilities for local library organisations?
  - b.3 To what extent does the library service remain democratically accountable/has a democratic mandate?
- c. Opportunity for integration with other services:
  - c.1 Will the option promote re-consideration of where local libraries are delivered – e.g. move to different building?
  - c.2 Will the option promote co-location of other public/third sector services?
- d. Meeting Suffolk County Council corporate priorities: is there an effective mechanism for the library service to support the Council's priorities which currently are:
  - d.1 A strong and dynamic jobs market
  - d.2 Transforming learning and skills in Suffolk
  - d.3 Protect vulnerable people and reduce inequalities
  - d.4 Be the greenest county (this is relevant – local network of services reduces the need for travel longer distances; could look for green ways of running the service if under local management etc)
  - d.5 Supporting localism/Big Society/strengthening communities
- e. Scope for innovation: is the model more likely to foster innovation within the service? To consider:
  - e.1 Scope for cultural change
  - e.2 Staff engagement/ownership
  - e.3 Capacity for flexible service expansion including, for example, capacity/impetus to encourage more communities to take over the

Best Value Test Criteria for Suffolk Libraries
running of libraries; encourage new library delivery points; income opportunities etc.
<b>4. Sustainability and Risk test</b> <ul style="list-style-type: none"><li>a. Will the new vehicle be sustainable?</li><li>b. What is the impact for the County Council if the business fails?</li><li>c. Risks related to legal challenges that services will not be tendered</li><li>d. Risks related to the quality of delivery</li><li>e. Risks related to possible lack of commercial and entrepreneurial skills required to make option work</li><li>f. Risks that option may lead to a differentiation of service levels in different parts of county / “post code lottery”</li></ul>



After the stakeholder workshop, we added in a **fifth test for partnerships and community ownership**.

### 1.3 The Evidence Base

The task has been to find robust ways to compare one familiar model (an in-house business unit) and two relatively unknown models (the Council wholly-owned company and social enterprise models), where there is no available track record to compare actual management or performance. Even for the in-house model, the proposal is significantly different to the current Council service.

Although the commission was to evaluate the structural models, it became clear that the evaluation process needed to review a range of other evidence integral to the proposed new ways of working, irrespective of whichever structural model is eventually chosen.

This evidence is included in this evaluation report in the form of a number of key documents:

The **Commissioning Strategy** and associated outline **performance framework** provide a high level description of what services will be commissioned from the new structural delivery organisation and what metrics the commissioner will apply to ensure standards are maintained.

The **Reference Model** for a new library service structure has been created as a basis for costing. This model places emphasis on the structural model providing enabling support for library services to be delivered by local library organisations based within each community. Whilst it may also directly run a number of libraries initially, the aspiration and intention will be that most, if not all libraries would, over a few years, be subject to community governance. The reference model proposes a significantly streamlined central management team. It assumes that the cost savings required can be delivered by focusing on reducing corporate and management overheads and

harnessing the creativity and support of local library organisations in reducing costs and increasing income through fundraising or other activities.

The **Community Governance framework** and associated **menu of delegated responsibilities** describe the roles/functions that local library organisations may choose to adopt for running local libraries.

The **Property Model** sets out the principles by which Suffolk County Council owned library buildings may be leased/ licensed to the new structural delivery organisation and/or local library organisations. As this is of fundamental interest to many communities, the document forms an important part of the evidence base.

There are **descriptions of the three structural models** which outline the distinctive legal characteristics and governance forms associated with each. Although these descriptions are theoretical, as there are in fact no existing organisations which operate in this way, legal and specialist advice has been sought for each to ensure the accuracy of the information.

A **financial model** has been developed for each of the structural models, using information about the legal forms and the reference model as a basis for modelling future running costs and costs of transition. The financial model clearly states all assumptions used.

#### **Additional information**

The report includes a number of other documents which, although not directly part of the evaluation evidence, are helpful in completing the description of the process undertaken and in suggesting how the move to new ways of delivering the library service needs further support and development going forward. These are:

- A paper which describes **alternative models for social enterprise** organisations which were rejected.
- A **Procurement Statement** which summarises the legal and procurement position in relation to the process adopted by Suffolk County Council.
- Information on the community governance **library pilots**. In July 2011 the Cabinet approved the suggestion to invite a number of local communities to become pilots for testing out the model of community governance. Communities which represented different types of community organisation and different types of communities, and who had expressed an interest in running their local library, were contacted and invited to become part of the pilot. Work is continuing with them to support the development of their ideas and aspirations. The Pilots paper provides a brief outline of which communities have agreed to take part and their key characteristics. Learning from the pilots will be critical in fast-tracking other communities to set up their own local library organisations.
- We have also kept a watching brief on development elsewhere in the country, mindful of the fact that all local authorities are facing similar

challenges. A brief synopsis of recent developments, including links to other council websites is provided in the **Synopsis of Development** around the Country. We have also included a **Case Study - Chalfont St Giles Community Library**: a volunteer-run library in Buckinghamshire.

Finally, a **Glossary** is included as a reference guide for phrases and terms used throughout this report.

## **1.4 Evaluating the Evidence: Methodology, Summary of Results and Recommendations**

The evaluation has two parts each leading to a number of recommendations:

### **Part A: An assessment of the proposed new way of working**

Commissioning and management arrangements  
Community Governance

### **Part B: An evaluation of the three proposed structural delivery models**

#### **Part A: Overall assessment of the new way of working**

Whichever structural model is selected, the provision of the library service in the future will depend heavily on the strength of commissioning arrangements and the endeavours of the management team. The effectiveness of these arrangements in turn depends not just on the quality of the individual post-holders – vital though this is – but on the capacity available to undertake all the necessary functions. We therefore have considered the proposed arrangements as currently described, with the view to identifying where there is a need for further development. We have evaluated later in the process the risks and opportunities the alternative structural models pose in relation to these points.

#### **Commissioning and performance management arrangements**

*Evidence: Commissioning Strategy*

Having reviewed the commissioning strategy and associated performance framework, we are confident that the necessary frameworks and regulations exist in principle. These, together with the approved access model, are the key mechanisms for ensuring that the statutory test is met. The key risks identified is that of securing regular performance metrics in a federated delivery model, and the potential reliance on data available solely from the service provider if no performance capacity is retained within the County Council.

***It is recommended*** that further work is undertaken to assess how the performance metrics will be implemented and what capacity would be needed to maintain data access and data supply.

## **Management quality and capacity**

*Evidence: the Library Service Structure Reference Model*

In terms of the quality and capacity of the management arrangements, we have only the reference model to assess. It should be noted that as this theoretical model has been produced for costing purposes, it cannot be used to assess definitively the sufficiency of the arrangements. However, should the illustrative model be adopted, there would be a 50% reduction in central management and administrative posts from 20.65 FTE to 10.5 FTE, with a reduction in frontline management of 10 FTE.

We are concerned that such a proposed slim central team may lack capacity and resilience to deliver the whole range of functions outlined. A specific concern is the absence of a dedicated human resources/personnel function. Applying an industry standard would suggest that for an organisation of this size, there should be at least one HR specialist, even if many of the routine functions were outsourced.

Additionally, in constructing a central team with an emphasis on new functions (such as partnership management, innovation and entrepreneurship, volunteer recruitment and development), there may be a need to attract new managers with skills different to those currently available. There is a risk that Suffolk Libraries may lose existing professional library and information skills as Chartered Librarian staff see their career options limited. At the same time there is a risk that the new organisation may fail to attract staff with the new skills required if remuneration is not set at an attractive level.

The lean structure may also lack resilience to cover for non-routine absence. Information has been gathered on a range of real-life scenarios that the current management team has been faced with during 2011 with the intention of testing out what would happen under the new modelled arrangements. Lack of time during the evaluation review period unfortunately prevented completion of this exercise.

***It is recommended*** that:

- Once the structural model is selected, close attention is paid to the central team structure and skills profile to ensure sufficient capacity and appropriate skills are secured.
- Stress testing of the model is undertaken to assess its resilience to cope with typical work flow and problematic scenarios.

## **Community Governance**

*Evidence: Commissioning Strategy; Community Governance Framework and Menu of Delegated Responsibilities*

All three models include, through the commissioning strategy, an aspiration for local governance of libraries. The menu of delegated responsibilities sets out a number of options for how this could be applied in practical terms. A SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis and the

Best Value test criteria have been applied to the community governance model in order to identify risks and opportunities which will have relevance for all three options.

Development of an appropriate local governance structure, combined with practical input from the community, is an aspiration for all libraries. The pilot projects and a number of other local groups interested in supporting their libraries have already made significant strides toward this. Levels of governance are variable, and this will determine the level of delegation and management of local services, especially in relation to employment. The majority of local groups have requested significant start-up support to establish a governance structure and engage effectively with their communities: this support is likely to be required for some time to come. The target of achieving some form of local governance for all existing libraries carries some risk in terms of those communities who have not yet expressed an interest in their library, or where there is restricted access locally to volunteer capacity. Accessing local finance to help contribute to the continuation of the service may also be seen as a barrier to participation by some communities.

***It is recommended*** that support continues for the local library pilots so that the service as a whole and other communities can benefit from the learning and experience they will be able to offer. Specifically, the creation of governance agreements and models which can be easily replicated elsewhere should be encouraged.

## **Part B: Structural model evaluation**

*Evidence: Commissioning strategy; property principles; community governance framework; descriptions of the structural models; finance model*

We have provided three levels of analysis to inform our evaluation of the structural delivery options:

1. A **SWOT analysis** has been provided for each of the three models. The advantage of this approach is that it enables a rounded picture to be formed of the balance of positive and negative features of each model independently of the others.
2. A **Best Value Test Comparative Table**. This analysis takes the test criteria and compares each of the models against each criteria and against each other. This methodology assesses how each model offers the opportunity to meet the standards required, together with an assessment of any associated risks. By presenting the text for each structural option in adjacent columns, the reader can compare each test criteria in detail. Risks and opportunities are rated as being High, Medium or Low. Where there is neither risk nor opportunity the rating is left as not applicable (N/A).
3. A **Summary Evaluation Score** sheet has been prepared using the ratings from the Comparative Table. Applying a score of 3 for High, 2 for Medium

and 1 for Low, enables us to score the level of relative risk and opportunity for each model. This methodology has produced clear differentiation between the three options under consideration.

## **Summary of Results**

### ***Option 1: the in-house business unit***

The in-house model has low risk, but has fewer opportunities to take advantage of the full range of cost saving or income generation opportunities identified in the external models. The financial model indicates that achieving the full cost savings required may be challenging without reduction in service availability.

It would be a safe option, operating through known procedures, under the direct democratic mandate of the Council, and with the immediate back up of the resources of the County Council. It would also pose lowest risk to service continuity in the short term. However, it runs a higher risk of reductions in library opening hours, or indeed reduction in the number of libraries over the longer term, should there be failure in making all the efficiencies in central services or corporate overheads, some of which would be beyond the business unit's control.

### ***Option 2: the County Council wholly owned company***

The County Council wholly owned company is the least attractive option. It does not attract the tax advantages of the alternative external option, and does not in itself deliver ownership to the community.

The County Council would be able to secure governance of the company as it retains ability to appoint to the Board and so could secure leadership for the organisation with relevant skills and experience. It could also readily replace Board members where this proved necessary. However, this characteristic also generates a risk that it could be perceived as a Quango.

Costs are predicted to be higher in this model than the other two options, primarily because there are no tax advantages.

### ***Option 3: The independent social enterprise – Industrial and Provident Society for the Benefit of the Community***

The Industrial and Provident Society (IPS) option scores highest on both opportunity and risk. It delivers the most advantages in terms of community governance, as it would be the members who directly elect the Board from their own number. As a charity, it would attract tax advantages which would significantly reduce costs and, overall, costs are predicted to be the lowest of the three options. The financial modelling suggests this option is most likely to be able to achieve the savings targets.

As the least familiar model, there are higher levels of risk, as the amount of time needed for full community governance to mature is an unknown factor. It offers the most scope for innovation and for tailoring services to the needs of local communities. The IPS would certainly be a viable option and one where the County Council could demonstrate genuine commitment to, and belief in, enabling local communities to run services.

***Overall, it is recommended that:***

- ***Options 1 and 3 are both considered as serious contenders for the future delivery of library services with the deciding factors being the risk appetite of the County Council and the level of commitment to community governance.***
- ***The next phase of the work should include an in-depth review of the risks identified in both the community governance model and the selected structural delivery model in order to ensure that mitigation can be put in place to minimise the impact of risks identified in the adopted approach.***

## **Section 2 - The Evidence Base**

- A commissioning strategy for Suffolk's library service
- Library service structure: The Reference Model
- Community Governance Framework through the Menu of Delegated Responsibilities
- Menu of Delegated Responsibilities
- Property Transfer Principles and Proposals
- Structural Delivery Models:
  - Option 1: the in-house business unit
  - Option 2: Suffolk County Council wholly owned company
  - Option 3: External Social Enterprise
- Financial Modelling of the Library Service Future Options

### **2.1 A commissioning strategy for Suffolk's library service**

This document sets out a model commissioning strategy for the library service, which includes a description of the strategic direction, the key priorities for the year ahead and the measures which will demonstrate that these are being met.

#### **1. Introduction and context**

The library service is a much loved and greatly valued part of Suffolk's community life. Some 37,000 people responded to the Spring 2011 consultation and resoundingly showed that they see their local libraries as hubs at the heart of their communities offering space, information and interaction as well as the free book loan service.

In the 2011 Review of Library Services<sup>1</sup>, a new definition of Suffolk's library service (Vision for Library Services pages 5-17) identified the library offer as

- Provide for reading and literacy through books to borrow, books to download and through activities
- Address loneliness and social isolation, and provide a shared community space where people feel safe
- Help with learning and skills and finding a job
- Provide activities that improve health and well-being
- Provide Information and the internet, both self-service and with the help of skilled staff
- Hire DVDs and CDs

At the core of this **vision**, which was adopted by the Cabinet on 19 July 2011<sup>2</sup> is free access to the One Countywide Book Stock and Suffolk Libraries Direct, free access to the internet to enable people to find information or services online, free access to information and free signposting to advice and help.

The Cabinet also agreed in July 2011 an **access** model for library services which aligns the provision of libraries to the changing demography of Suffolk and provides a framework for identifying gaps in provision using the District and Borough Local Development Frameworks (LDFs) for the rural areas, and using areas of social exclusion in Ipswich and Lowestoft. Where there are growth areas with no current library provision, such as Red Lodge in Forest Heath or Martlesham, for example, these are identified and will inform future service developments when funding allows. The model is described in detail in the 2011 Review of library Services ( pages 17-24).

In the future the County Council will commission these services via a structural model which is sustainable, enables increasing community governance and ensures that the council is meeting its statutory duty to provide a comprehensive and efficient library service. This duty remains with the County Council whether the structural model chosen is internal or external.

Any organisation commissioned to deliver the library service will be expected to apply both the access model for the future and the vision.

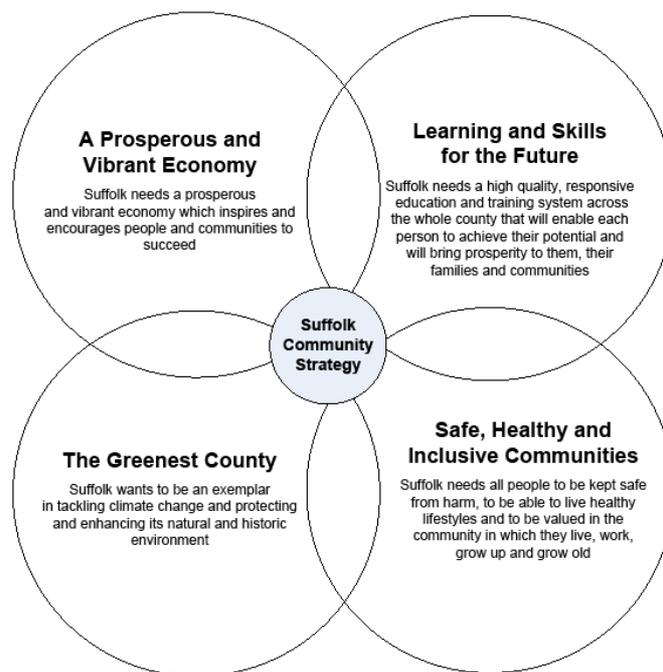
- The County Council will also wish to see the library service carrying out its own priorities, and support the longer term vision in the **Suffolk Community Strategy**<sup>3</sup>. The Community strategy has four themed priorities.

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<sup>1</sup> <http://www.suffolk.gov.uk/NR/rdonlyres/14406DF1-D098-4914-8804-4E77AFFD7A23/0/20110719LibraryReviewv4new.pdf>

<sup>2</sup> <http://committeeminutes.suffolkcc.gov.uk/meeting.aspx?d=19/07/2011&c=The%20Cabinet>

<sup>3</sup> <http://www.transformingsuffolk.co.uk/vision-and-priorities/community-strategy>



The library service contributes to each of these priorities with the intrinsic library offer, and through signposting and information, with the range of activities which take place in library spaces, through access to online services and with the support for what has become known as *help to help yourself*.

At times this strategy will focus on specific priorities and identify areas which need a more concentrated focus.

**For example**, the council is investing in and committed to channel shift<sup>4</sup> to help it deliver more and more services at exceptional value, increase customer satisfaction and reduce cost. Channel shift is often linked to the increase of online services and the withdrawal of face-to-face services. The free internet access in libraries are a lifeline for those who do not have internet access or their own computer, and there is help for people who want to be able to do it themselves in the future.

As online services become the default, this role for library services as an enabling channel will grow in significance and increasingly help to bridge the digital divide and help to mitigate marginalisation.

<sup>4</sup> Channel shift definition: “ moving customer contacts and transactions from more expensive options (telephone, face to face contact, letter) to less expensive options (self-service on the web, self-service through automatic voice recognition systems, and through the use of SMS on mobile phones) - effectively by moving from services which require staff to be involved to those which do not”. <http://www.socitmconsulting.co.uk/page/primary-links/channel-shift>

## 2. Roles and responsibilities

The **County Council** is

- The statutory library authority and is legally accountable for a “comprehensive and efficient” service, and for the strategic direction of the service
- It will employ in-house sufficient library expertise within its strategic commissioning functions to ensure that its providers comply with the statutory duties that they are providing on the Council’s behalf
- It will commission the library service, through a grant agreement with the library service body, delegate the budget, via schedule of payments, and a set of agreed targets and measures to be achieved
- It has regular monitoring sessions with the library service

The **library service** is

- The enabler of library services
- It coordinates and supports local library services, ensuring that they have the help they need to deliver the local library service, and that they are aware of their responsibilities
- It enables local community governance
- It will apply the council’s access model and vision for library services
- It reports to the County Council on performance at regular intervals and takes part in monitoring activities
- It enables the Council’s legal duties to continue to be met, including equalities, data protection and health and safety.

**Local libraries**

- Are run with differing levels of community involvement
- Offer free access to the One Countywide Book Stock and Suffolk Libraries Direct, and free internet to enable information and access to online services
- Provide a welcoming space for people of all ages to meet, learn, and interact

## 3. Strategic direction and priorities

In the future **vision**, there is now a broader definition of the Suffolk library offer with inclusion, technology, information and interaction as important as books, reading and literacy.

Suffolk’s libraries will be an increasingly welcoming space for people trying to learn- as part of a family- or as an individual, as relevant to toddlers with their parents as to job seekers.

The slowing of the economy means that people of all ages need to enhance their skills, and find opportunities for work and volunteering. Library services have a key part to play in helping people find job opportunities, locate courses

or advice on a new direction, or offer a safe place for people to research and study.

Technology plays an important part in this future, helping the digitally excluded as well as supporting the increasing expectations for downloading of books, and possibly films or music. Improved technology will also help to keep costs down, by providing web-based solutions to help easier access to the library network, and it may help people who do not enjoy easy or confident access to print-based formats.

As online services develop and become the norm, libraries will be essential places which people use to help themselves with their health and wellbeing, for shopping, for citizenship and for learning. They will be supported by skilled staff and also volunteers, where communities choose to deploy them.

In the future, every library will have some sort of community governance or involvement, with local people opting for the levels of involvement which best suit their preference, choosing from a menu of differing levels of responsibility.

This local involvement will bring innovation at local level, including ideas for activities which encourage learning and inclusion, fundraising and the new community outreach service, feeding in to broader service- wide improvement.

The vision clearly states which activities must be free, and there is also the option for communities to develop their own offer of activities, which may be free or charged for.

Library services will be more sustainable, with increased efficiency, working with less bureaucracy, more local responsiveness and continuing to deliver the statutory library service on behalf of the County Council.

This is a time of unparalleled change and transition to new arrangements. Any commissioning strategy for the short to medium term must recognise this additional call on capacity, creativity, and resources to deliver these, while also working to the council's strategic priorities.

At this time of change, it is important to exercise a duty of care to staff, and take steps to mitigate any adverse impact on staff morale. Similarly, actions will need to be taken to inform and reassure customers of the service about the impact of any changes taking place.

This strategy also recognises that the library service will continue to deliver on the council legal duties including equalities, health and safety and data protection.

#### **4. Key priorities for the year ahead**

1. Continue to deliver Suffolk County Council's comprehensive and efficient library service, as set out in the Vision<sup>5</sup> for the library service
2. Build and embed community governance and work with communities on their local library offer
3. Make the transition to and embed the new structural model, maintaining staff and customer morale
4. Implement technical developments to increase efficiency – the library management system and downloading of books
5. Work within the new reduced budget

#### **5. How will the County Council know that these priorities are being delivered?**

The County Council must have sufficient expertise and resource to allow it to judge whether its duties are being met. This will include expertise on library matters and capacity within the council to help monitor and analyse performance.

The commissioner will have regular monitoring sessions with the library service to discuss trends, opportunities, issues and risks, no less than quarterly.

At the heart of these sessions, there will be a set of key indicators which will tell the story of on-going performance, use and development.

These are detailed in the table shown as **Figure 2**.

These key indicators will be supplemented by guidance which identifies where data is sourced, detail on definitions and from where the reports are to be generated, for example an agreed figure for the population based calculations.

The reference model proposes a structure which is much leaner than before, so it would be counter productive to require a disproportionate resource within the library service for collection and reporting. The indicators will be sufficient to reassure the Council, and contribute to any required data which it needs to collect, for any national or local reporting

The library service will also have its own measures for it to use to check on performance and compliance, in deeper depth. Quite probably this will be too detailed for the SCC commissioner, although occasionally the information might be needed for a performance clinic which delves into specific service areas- such as the trends around eBook and physical book borrowing.

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<sup>5</sup> 2011 Review of Library Services pages 5-17

The key performance indicators will also support the County Council's own data needs, for internal and external reporting

In Year One it is recognised that this is a period of transition, again affecting the capacity to collect, report and monitor.

The measures proposed are therefore sufficient to reassure the council that its duties are being met, that the required offer of library services is being delivered, and that the library services is contributing to the wider Suffolk strategic priorities

**Figure 1**

Summary table showing which priorities are informed by the key performance indicators

<b>Priority</b>	<b>indicator number</b>
<b>statutory duties</b>	1- 8, 12-16, 17-19
<b>legal duties</b> including equalities, data protection, and health and safety	25-27
<b>Corporate priorities</b> including Community strategy and Suffolk Story	7, 9-11, 21-22,23-24
<b>Year One</b>	20-24

**Figure 2**

	Use	definition and target	source of the data	how is this collected	frequency
1	% of adults who have used their public library during the year	44% figure based on last survey results	Taking Part survey.	Active People survey.	updated no less than annually
2	visits to library web pages, including Suffolk Libraries Direct	based on 2011/12 actuals	CSD		quarterly
3	physical visits to libraries	4.735,000 or 3.718388	local libraries	visitor survey or magic eye count. To be confirmed	
4	use of the internet in libraries	could either be number of web pages accessed in libraries or no of internet sessions booked in libraries	CSD or out pf netloan	interrogate netloan or request via CSD	quarterly
5	number of items borrowed	4, 083, 881 issued in 2010/11	Galaxy	artemis	quarterly
6	number of eBook loans	8903 in first year. Would expect it to be 10,000 in 2011/12	overdrive- eBooks service	interrogation of data	quarterly
7	number of people registered to use the At Home Library Service in a year	2010/11 figure was 1581. might up the target based on community outreach expectations	by provider of the service		quarterly

	Access and availability	definition and target	source of the data	how is this collected	frequency
8	Aggregate scheduled opening hours per 1000 of the population	old PLSS standard was 128. 2009/10 performance against this is 120 statics only or 130 with mobiles	manual calculation	calculation based on population and aggregate number of opening hours.	annually
9	aggregate unscheduled hours of closure	existing data collection	local libraries reporting to library service	recorded and reported	quarterly
10	changes to opening hours at a local level	additions and changes	local libraries reporting to library service	recorded and reported	quarterly
11	number of older people who attend activities such as Top time	2009/10 had 15,000 attendances. 2010/11 - 15,284			twice yearly
12	number of attendances at activities for young children	2009/10 had 73,115 attendances. 2010 Bookstart + Sunday activity attendances = 51,294	library service, from local reporting.	it is recognised that the pattern and type for these may change and be based on local preferences	
13	number of children taking part in a summer reading activity	2011 figure 7000	as above	as above	once a year
	Cost effectiveness and efficiency	definition and target	source of the data	how is this collected	frequency
14	% of requests met within 7 days	Suffolk performance against this previously was 67%	Galaxy	artemis	annually

15	annual items added through purchase per 1,000 of the population	Suffolk performance against this previously was 228	pop figure to be provided		annually
16	% of library stock on the shelves and on loan	new target	Galaxy	through smart SM	annually
17	time taken to replenish stock which is available for loan	previous Suffolk performance for this was 5.3 years	Galaxy	through smart SM	annually
18	% of satisfactory ILL requests	tbc	Xchange	Via Axiell	annually
	Customer satisfaction	definition and target	source of the data	how is this collected	frequency
19	% of people surveyed who rated the service as good or very good	95%. PLSS surveys previously had this as 94%	Its likely that the Public Library User Survey (the previous mechanism) will no longer continue. As a replacement it is suggested that the new citizen panel is asked a number of library questions in each year.. Another option would be to survey via the SCC website.		no less than annual
20	positive mystery shopping results			new measure, currently being explored.	
21	customer complaints, comments and feedback and any follow up			comments facility in each library , used locally with summaries being prepared for quarterly return	six monthly report
	Income and fundraising	definition and target	source of the data	how is this collected	frequency
22	overall amount raised by community groups through fundraising	no target for year one, to be agreed as benchmark after first year	library service	through community reporting, part of grant agreements	twice a year

	Volunteers	definition and target	source of the data	how is this collected	frequency
23	no of volunteers	based on 2009/10 totals	library service	collected by service and through community reporting, part of grant agreements	once a year
24	no of volunteer hours	36474 hours based on 2009/10 totals	library service		
	Community governance	definition and target	source of the data	how is this collected	frequency
25	number of libraries with local involvement	it is expected that all libraries over time will have some level of local governance. Target for this by end of 2012/13	library service	collected by service, reported at quarterly commissioning monitoring meetings	quarterly
26	level and impact of local involvement				
	legal duties including equalities, health and safety and data protection	definition and target	source of the data	how is this collected	frequency
27	profile of library users	reflecting Suffolk population at the minimum	Galaxy, mapped to acorn		annually
28	staff and volunteers are aware of their responsibilities		library service	through community reporting, part of grant agreements	
29	policies are in place at all libraries		library service	through community reporting, part of grant agreements	

## 2.2 Library Service Structure: The Reference Model

This reference model for the library service has been developed for the purposes of evaluation and costing.

### 1. Introduction

This model identifies what functions and capacity are needed to carry out the essential library services for the future.

The 19 July 2011 Cabinet meeting defined the core library services for the future as:

- ✓ Provide for reading and literacy through books to borrow, books to download and through activities
- ✓ Address loneliness and social isolation, and provide a shared community space where people feel safe
- ✓ Help with learning and skills and finding a job
- ✓ Provide activities that improve health and well-being
- ✓ Provide Information and the internet, both self-service and with the help of skilled staff
- ✓ Hire DVDs and CDs

Library services will continue to evolve in tune with citizen expectations, and with the technologies which support communication, information and reading.

The reference model recognises that some of these are changing rapidly and that this may change the capacity needed to carry out library functions - specifically stock work, selection and supply.

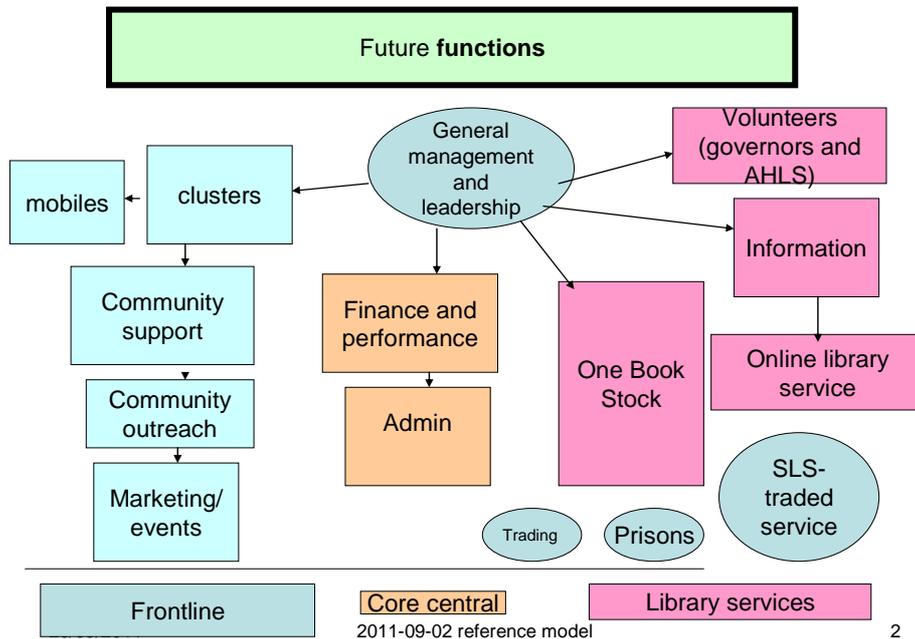
### 2. Functions

2.1 In summary, the **functions** needed to deliver library services are:

- General management and leadership
- Finance, performance and administration
- Management and provision of the One Countywide Book Stock (i.e. the stock of books and other items that will be shared by all libraries that are part of Suffolk Libraries), and the library network
- Information and online services
- Recruitment and management of volunteers, including for outreach and at home library services
- Support for community governance
- Support for local library organisations, i.e. local community groups governing local libraries, either as incorporated organisations or constituted associations. Initially, these will principally be the pilots.
- Oversight of any individual traded services or trading activity
- Marketing
- Management of frontline libraries which are not community governed

- Mobile library services

2.2 The functions are shown in the diagram below:



2.3 Functions of the library enabling service described in more detail:

**a) General management and leadership:**

- advises and reports to the Board if external, or to an Assistant Director of the Council if internal.
- sets direction if internal, or works with the Commissioner if external, on behalf of the Board.
- leads the central team, leads libraries which are not yet independently run potentially grouped in clusters, leads relationships with independently run libraries.
- leads relationships with partners.
- identifies innovation and drives change

**b) Finance and performance:**

- oversees and reports on budget to the Board or within the County Council if in-house
- substitutes for the General Manager
- supervises payments and invoices
- ensures arrangements in place for staff pay
- ensures performance and statutory reporting or returns are done
- oversees complaints
- looks for external funding opportunities
- acts an internal auditor when needed

- supervises the **Administrative** function which will include routine returns, payments, orders, contracts and arrangements, minor repairs and maintenance, vehicle servicing, support for General Manager and the Board when needed. Similar to a bursar in a school.

**c) One Book Stock**

- dealing with suppliers, specifying, amending and quality checking, and profile building for stock additions.
- e-books: selecting, purchasing and monitoring
- trouble-shooting
- providing a library management system (LMS) with an up-to-date catalogue
- helping local libraries get the most out of what they have: stock editing and removal, and promoting reading through books and other formats
- training local library staff and volunteers
- inter-library loans - sourcing and borrowing for customers from outside Suffolk library system
- ordering from local and niche providers
- training for staff and volunteers on the LMS

**d) Volunteers**

- practical help for local libraries' volunteers
- checking and supporting local volunteers if needed
- recruitment and checking for the At Home Library Service
- running and organising At Home Library Service volunteers, paying expenses and responding to customer changes - additions and removals for people no longer needing the service

**e) Information and the online library service**

- selects online information sources, including online subscription services
- helps frontline staff with complex enquiries
- training for staff on how to research and answer enquiries
- quality checking of customer experiences around information
- Suffolk Libraries Direct - maintaining and developing the self service and online customer experience
- develop and provide platforms for online services including downloading e-books
- support and develop social media
- provide and develop the web site for library services
- respond to customer contacts via emails and by phone

**f) Trading**

- provide paid for services to prisons
- provide services to other councils on request
- School Library Services (SLS)

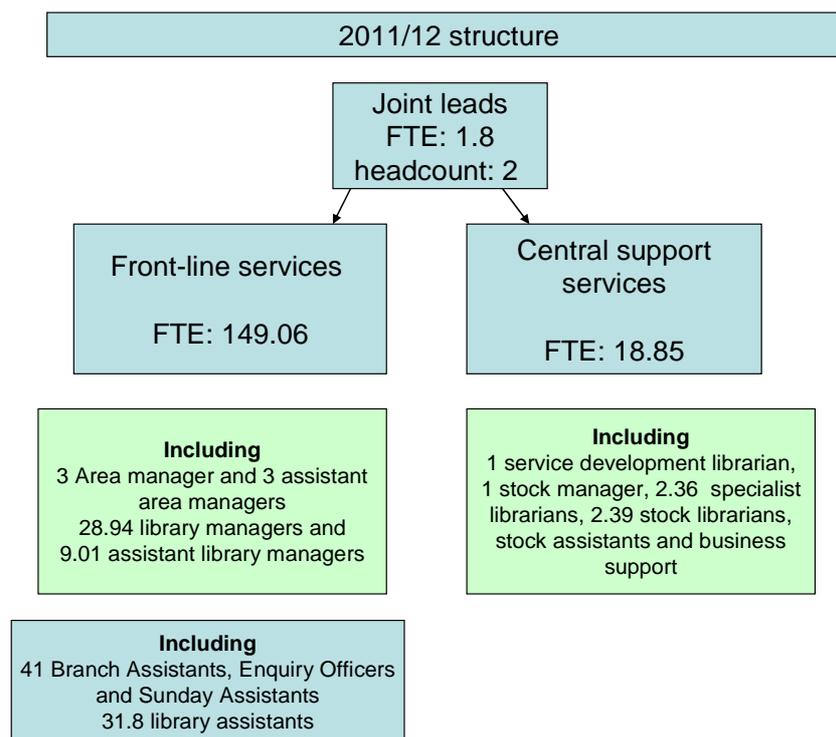
- g) Community governance and support to local library organisations**
- practical help to pilots and other independent local library organisations
  - liaison with independent local library organisations on capacity building and on increasing delegation (through the Menu of Delegated Responsibilities) - see section on Community Governance

**h) Marketing**

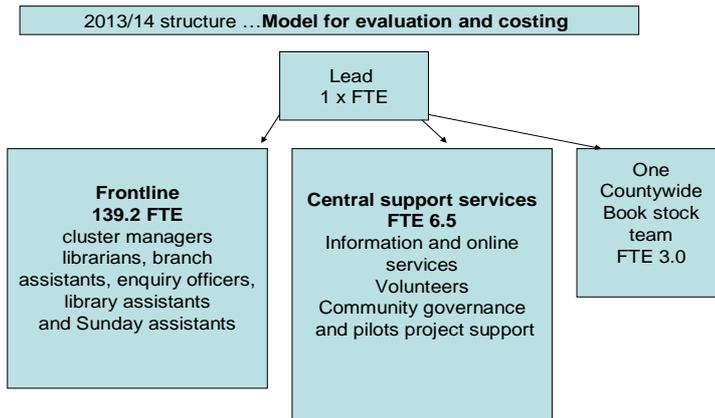
- supporting libraries to take part in national or county programmes such as the Summer Reading Challenge
- promote the library brand, via research and social marketing
- provide templates for local publicity

**3. Capacity for the functions**

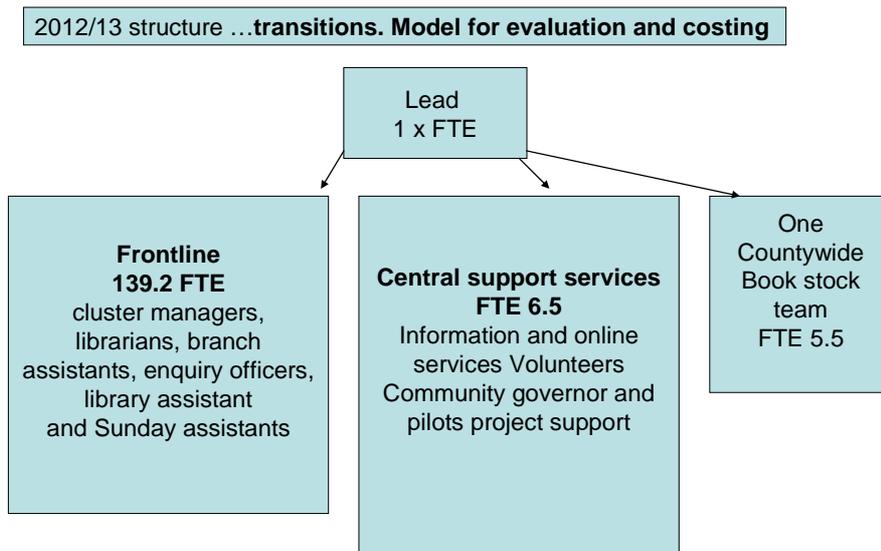
3.1 The reference model has been designed to have less capacity than the current structure. The first diagram shows the structure which currently exists in 2011/12.



3.2 It is assumed that there would be fewer posts in the centre and reduced tiers of management, with a decrease overall in the service of approximately 20 Full Time Equivalents (FTE) posts. Tiers of management will be reduced by two levels. The 2013/14 diagram reflects where the reduction in FTE would be.



3.3 The size of the capacity in the reference model at the centre is dependent on advances in technology and new supplier arrangements for book selection, purchasing and distribution, with a variance here of about 3 FTE if the advances do not happen by Year 3. The 2012/13 diagram reflects this transition phase where the 3 additional FTE have not been removed.



3.4 This reduced structure for the central library enabling service will only work if additional capacity can be purchased or brought in for additional work or for specific projects, and for some functions and services to be bought in - examples of this might include Human Resources expertise, marketing services, and project management.

3.5 Staffing levels for frontline libraries have not been changed significantly in the reference model. Local library organisations may develop their own

proposals for staffing and many libraries are already single-staffed.

3.6 Depending on the model is chosen any restructuring would have to follow the appropriate timescales and HR requirements.

3.7 Seven pilot projects are working with the Council now to help clarify the support and services they may want from the centre.

#### **4. Frontline services/local libraries**

4.1 It is expected that there will be a number of local library organisations from communities running their libraries with differing levels of delegation. Some will opt to do as much as they can for themselves, while others will want the central body to provide most of the services, but be keen to be involved through an advisory committee.

4.2 It is hoped that eventually every library will have at least an advisory committee at the minimum. Capacity at the centre must exist to help develop these through a transition and beyond.

4.3 Potentially, delivery through libraries without an independent provider could be grouped into clusters each with an overall cluster manager who oversees and supports local librarians. Cluster managers will also manage the library at which they are based.

4.4 Local libraries will offer a core range of services which will promote literacy, learning, social inclusion, health and well being, via free book lending, information, the internet and a friendly welcoming environment supported by expertise and a friendly welcome.

4.5 Seven pilot projects are working between August 2011 and March 2012 to explore differing models of community governance and involvement.

### **2.3 Community Governance Framework through the Menu of Delegated Responsibilities**

Whatever the structural form of the central enabling service, it is expected that there will be a number of independent local library organisations, i.e. local community groups, governing local libraries, either as incorporated organisations or constituted associations. Initially, these will principally be the pilots. Local library organisations will be able to choose the level of delegated responsibilities they wish to adopt, choosing from a Menu of Delegated Responsibilities. The lowest level of delegation would turn the organisations into advisory committees.

The Menu of Delegated Responsibilities has been devised as a tool to allow local library organisations to determine their desired level of governance of the local library service through delegating responsibilities from Suffolk County Council (via the wholly owned company or IPS if these models are chosen).

The Menu gives a clear understanding of the complete range of functions occurring in a library. The Menu informs groups of the statutory nature of some of the services and confirms whether such provision will be delivered centrally. Local library organisations can select from a range of local services, with certain services being required to be provided as part of the statutory library service.

The menu forms a good starting point to engage with a community considering taking on the governance of a local library.

Depending on which library service the local community may wish to take on, the level of engagement and delegation can be identified. Broadly speaking, it is anticipated that there may be three levels of delegation:

- Full delegated responsibility, , where management of all local library services (including the running of the building and the management of the staff) will pass to the community
- Delegated responsibility for all local library services with the exception of managing library staff
- An advisory committee approach, with the local organisation providing advice and steer but not taking on building, budget or staff management.

The Menu of Delegated Responsibilities has initially been devised for use by the pilots to help inform their discussions around delegation. The experience and feedback from the pilots will be used to further refine the Menu.

The Menu of Delegated Responsibilities will also be used by other communities (i.e. non-pilots) wishing to consider taking on the local library governance, with the aim that eventually all libraries can agree a level of governance to participate in the continued delivery of the library service in Suffolk.

## 2.4

### MENU OF DELEGATED RESPONSIBILITIES

	Who provides this and is it optional?				Is it a delegated responsibility?		
	provided service from centre (not optional)	mandatory provision at local level (not optional)	provided from centre and optional				
<b>Menu item – for local running</b>					full delegation ticks all boxes for all possible local provision)	Delegated responsibility of all local functions but not employees	advisory committee role
<b>PART A: delivery of library purpose and outcomes</b>							
<b>reading and literacy support through books and activities</b>							
free book lending – all formats inc electronic books - via one book stock for county (book supply and Galaxy network system or other LMS)	y	y					
access to books from outside the county book stock (inter-library and BL loans) - cost recovery basis?	y	y					
reading groups support			y		y	y	y
child and parent activities e.g. baby bounce/ tot rock/ summer reading scheme					y	y	Y
literacy support for adults e.g. Six Book Challenge		y			y	y	Y
trained staff and volunteers able to use the library issue system and inter-library loans / reservations process	y	y			y	y	
<b>community space (inclusive/ safe/ addressing loneliness and isolation)</b>							

free, inclusive, safe and welcoming space for people of all ages and abilities		y			y	y	Y
older people activities e.g. Top Time; reading groups specifically for older people		y			y	y	y
trained staff and volunteers confident in welcoming people of all ages and abilities		y			y		
community outreach services					y	y	
<b>learning/ skills and job search</b>							
signpost to advice and guidance on learning/ job/ career search – e.g. LEAP; appointment arrangement		y			y	y	
information on jobs through newspapers/ access to internet		y			y	y	
provision of appropriate book stock and resources	y				Y	y	
<b>activities and support for health and wellbeing</b>							
provision of appropriate book stock and resources	y						
signposting to appropriate organisations/ resources		y			y	y	
trained staff skilled in ethics and sources relating to health information		y			y		
<b>information and the internet - self service and staff supported</b>							
network access- broadband connection	y – initially						
library management system	y						
Oracle	y – initially						
MS Office – staff use	y – initially						
Netloan software (filtering and on-line computer bookings for PCs for public use)	y – initially						
acceptable use policy	y - initially						
agreed min. time for free access to internet		y			y	y	
help to use the internet		y			y	y	

help to use Suffolk Libraries Direct - inc on-line reference sources/ view account/		y			y	y	
Suffolk Libraries Direct	y						
signpost to relevant sites/ functions/		y			y	y	
help for self efficacy- help to help yourself		y			y	y	
kit - equipment - PCs; printers; to service spec.			y		y	Y (?)	
trained staff and volunteers able to help people use the internet and find information , including ethics and enquiry skills	y - initially		y - with conditions		y		
<b>films and music</b>							
hire of films/ music through LMS	y				y	y	
provision of stock	y				y	y	

**Who provides this and is it optional?**

**Is it delegated?**

<b>Menu item – for local running</b>	provided service from centre (not optional)	Mandatory provision at local level (not optional)	provided or arranged from centre and optional		Full delegation (ticks all boxes for all possible local provision)	delegation of all local but not employee functions	advisory committee role
<b>PART B Operational requirements</b>							
<b>HR- Employees</b>							
1. training for staff and volunteers			y		y		
Data Protection	y						
Use of library systems	y						
Health and safety			y		y		
Safeguarding			y		y		
working with people of all ages and abilities			y		y		
induction for frontline staff		y			y		
info skills/ information inquiry training	y						

health and wellbeing – ethics (e.g. parameters and confidentiality)	y						
2. employed staff (all or nothing in this section?)							
Recruitment			y		y		y
Pay			y		y		
absence management			y		y		
pension	y - LGPS or equivalent				y		
PSE			y		y		
3. volunteer recruitment							
at home library service	y						
local libraries			y		y	y	y
volunteer management			y		y	y	y
4. CRB checks for designated frontline staff i.e. those with regular contact with library users.			y		y		
CRB checks for designated volunteers who are frontline i.e. those with regular contact with library users							
5. staff rotas/day to day and cover for holidays/sickness		y			y		
<b>ICT</b>							
equipment purchase - PCs/ self service machines/ printers/ phones	y initially		Moving to y		y	y	
equipment maintenance	y				y	y	
licenses - depends on legal form. Also needed for Infrastructure organisation							
<b>Operational activities</b>							
<b>1.Equipment purchase and maintenance</b>							
Portable Appliance Tests		y			y	y	
fire extinguisher annual test		y			y	y	

weekly fire alarm test		y			y	y	
furniture inc chairs/ desks/ shelves			y		y	y	
Photocopiers/printers (contract with SCC Facilities Management for now)	y initially		y - after a time		y	y	
till drawers	y						
<b>2. Stock management</b>							
shelving stock from returns and new stock		y			y	y	
shelf checks for requested items		y			y	y	
stock withdrawals and deletions based on automated checklists and local decision-making to spec standards		y			y	y	
items for sale (inc donated items)		y			y	y	y
stock disposal		y			y	y	
stock management skills	y						
<b>3. Consumables</b>							
paper for photocopiers and printers	Initially y						
printer cartridges			y		y	y	
photocopier toner			y		y	y	
general stationery			y		y	y	
till rolls			y		y	y	
receipt printers			y		y	y	
<b>Governance</b>							
meetings and communication with local governance group	y						
contact link to central function		y			y	y	y
policy – with help from centre		y			y	y	y
development and innovation		y			y	y	y
local consultation		y			y	y	y

<b>Finance</b>							
finances and core charges collection system	y						
finances and core charges setting levels	y						
banking weekly or similar		y			y	y	
cashing up		y			y	y	
Invoicing			y		y	y	
fundraising		y			y	y	y
trading activities – optional					y	y	y
reconciliation of income via LMS	y						
<b>Reporting requirements (standards and performance)</b>							
weekly and monthly statistical returns (visitor figs; activity attendance; opening hours)							

## 2.5 Property Transfer Principles and Proposals

This note sets out the principles and proposals for property to support Local Libraries for Suffolk. It is also for use in the evaluation of structural model options and as a reference document to support the roll-out of library pilots.

### Key Principles and Assumptions

Most libraries are needed for the County's Library Access Model and cannot be closed without replacement. Any changes to the occupation or ownership of library buildings should not fetter the Council's ability to enable comprehensive library coverage and service continuity.

The Council's aspiration is for libraries to be governed at a local level. The property proposal supports, where appropriate, the transfer of buildings to local organisations. This can create a feeling of local 'ownership' and responsibility, and engagement in the way buildings are used and maintained.

In developing a model for the transfer of libraries specific regard has been given to:

- The need to create a sustainable situation where local libraries can continue to operate
- The need for flexibility for library operators to be innovative in the way they use and manage buildings
- The need for contingency requirements to ensure provision of comprehensive library service

When a library forms part of the Access Model any transfer of property should be leasehold not freehold. The transfer of property by way of a lease gives the ability for the Council to step-in if appropriate to maintain the service. It can also protect the rights of other occupiers in shared buildings whilst enabling inward investment to the community.

When a library is not part of the Access Model the freehold transfer of property may be appropriate where a building is no longer of strategic importance and there is a supporting business case.

The transfer of buildings to local organisations would be appropriate if they are involved with the running of the library service to the extent that they are 'in occupation' of the property.

As a transitional arrangement (pending transfer of individual libraries to local organisations) the leasehold transfer of all libraries to a new central library organisation may be appropriate. This may be subject to any restrictions on existing leased property.

All leases whether to a new central organisation or to a local organisation, would be granted at a peppercorn rent unless there were exceptional circumstances.

The Council has to identify savings in the running cost of property. This may be achieved through reduced costs in property management as a result of structural

changes in the new delivery model, through tax efficiencies or through the management of property at a more local level.

### **Transitional Arrangements (options for structural models)**

Property issues are considered against each of the proposed new structural models. In all cases there is an assumption that the longer term aspiration is for libraries to be run at a local level and that where appropriate this would lead to a direct transfer of individual buildings to local organisations. This will evolve over time, as community confidence grows.

#### **Option 1 – In-house Business Unit**

In this model Suffolk County Council continues to be the direct provider of the library service, carrying out the relevant functions through a separately designated business unit.

The continued provision of the service by the Council would not require a change to the way in which property is held and managed. There would be no initial set-up costs but equally no immediate saving in property running costs.

#### **Option 2 – Wholly-owned Limited Company**

In this model the library service would move across into a company limited by guarantee that is wholly owned by Suffolk County Council. It would be set up to deliver services to the authority to an agreed specification. This model would not have charitable status.

The County Council would retain the property assets and seek to allow occupation by the new company by way of simple licence agreements. The Council would continue to run and manage the buildings as it is assumed there would be no property expertise in the new company.

It is expected that the new company would incur the same property running costs as current in-house provision, but with potential to make some savings (subject to TUPE) on facilities management and utilities. The budget for these could be transferred to the new company which would then carry the risk – i.e. if it could provide them cheaper it would make savings while if its costs increased it would need to fund the gap. This would have to be set up to ensure that there are no tax implications.

The property set-up costs for the new company would be low (estimated £10,000) but there would be no immediate saving to the Council in property running costs.

### **Option 3 – an Industrial and Provident Society**

In this model the library service would be enabled by an Industrial and Provident Society (IPS) for the benefit of the community. The IPS can register with HMRC as having charitable status. The structure also includes the potential for an asset lock, so any assets it may hold cannot be disposed of.

The IPS would be commissioned by the County Council for the delivery of the library service and as such would occupy the property to enable the delivery of the service. The occupation of the property by an independently owned and governed body would require the transfer of property to the IPS. For reasons set out above this would be by way of leases rather than freehold transfers. Leases would be on a landlord (SCC) full repairing and insuring basis as it is assumed there would be no property expertise in the IPS.

With the exception of business rates (see below) it is expected that the IPS would incur the same property running costs as current in-house provision. As with the Ltd Company, there may be potential to make some savings on utilities and facilities management. The budget for these could be transferred to the IPS which would then carry the risk – i.e. if it could provide them cheaper it would make savings while if its costs increased it would need to fund the gap. This would have to be set up to ensure that there are no tax implications.

The charitable status of the IPS would enable NNDR (business rate) relief of a mandatory 80%. The remaining 20% would be at the discretion of the local billing authority. At 2011/12 figures this equates to £381,750 for all libraries.

Leases to the IPS would require a mechanism for surrender to the Council to allow for the grant of a new lease directly to local organisations at the appropriate time.

Leasehold transfers would be subject to any existing restrictions on properties that are held on leases by the Council – for example transfers may require the Council to guarantee the probity of the IPS to landlords.

An estimate of the combined property and legal costs (for both parties) associated with the leasehold transfer of all libraries to the IPS is £150,000. Costs that would be incurred include:

- Preparation of model lease
- Title checks/searches and resolving queries/issues
- Seeking agreement of landlords to transfer leased properties
- Completion of potentially 44 separate Deeds and Registration

The time involved in the completion of the transfers is estimated at three to six months.

### **Transfer of property to communities over time**

Where libraries are to be occupied and run locally a direct transfer of the asset to the local organisation would be considered.

If the property has already been leased to the new central model a surrender of this lease would be required before any local transfer took place.

Transfer to local organisations by way of a lease (where the County Council is the freehold owner) would be appropriate in most cases considering the key principles set out above.

There is likely to be additional cost, on a case-by-case basis in dealing with the transfer of individual properties to local organisations.

Any transfers would use a tax efficient methodology.

### **Leasehold Transfers**

The detailed terms of all transfers would need to be considered on a case-by-case basis. In most cases where a leasehold transfer is appropriate, the County Council would look to grant long leases at a peppercorn rent, with terms to be based on the following:

- Lease length variable according to local circumstances e.g. expected life of building or project, or requirements of funding bodies to facilitate inward investment
- the tenant would be responsible for all running costs, repairs and insurance
- the tenant would be responsible for building management including:
  - hirings and occupier issues
  - health & safety procedures, processes and equipment
- the tenant would receive a grant towards running costs (see below)
- there would be a requirement that a library of minimum current floor area and minimum operating standards continues in the building with the option for the County Council to recover the property if this is not sustained
- the permitted use would allow the flexibility for premises to be used for or in support of other community based functions
- the County Council would reserve the right to enter inspect and require tenant compliance with obligations (e.g. to keep in good repair)

In the case of pilots, or where the tenant is a newly created organisation or there is other uncertainty, shorter leases may be more suitable, or the parties may reserve the right to break the lease after one or two years.

Furthermore in the case of short-term arrangements, the County Council may in the short term retain some direct responsibility for some of the running costs.

On the grant of a lease to a local organisation, the County Council would give additional grant (process to be developed) to the community concerned as a contribution to the property liabilities they are taking on. The level of grant is considered below.

## **Property Running Costs**

The running costs of property typically include NNDR (business rates), rent (where applicable), building insurance, utilities (gas, electric, water), planned maintenance, preventative (e.g. servicing) maintenance, reactive (day to day) maintenance, grounds maintenance, refuse collection and cleaning.

It is anticipated that there are property savings which can be realised as a consequence of transferring property to local organisations, without prejudicing the viability of the organisation to run the property. The County Council is looking to capture these savings. For modelling purposes savings are taken to be:

- 80% NNDR (mandatory relief assuming occupier has charitable status)
- Up to 100% (based on size of library) of cleaning costs, grounds maintenance costs and reactive maintenance costs

It is considered that substantial savings can be achieved by new approaches to building management (subject to TUPE), and whilst in practice a building occupier will probably incur some of these costs, they will also make some savings elsewhere.

The remaining property running costs would be met by the County Council by way of a grant to the occupier as indicated above.

Subject to the terms of transfer local libraries could therefore expect to receive a grant towards property running costs based on current running costs less specified savings items. The local organisation would then run the building at their risk – if they could do it for less they would be able to use any surplus elsewhere and if it cost more they would need to fund the difference.

## **Funding options for alternative premises**

Where a local organisation wants to move a library to alternative premises they may be given a choice with regard to funding support; either:

- Continue to receive a contribution to property running costs for new premises of an amount up to (depending on actual running costs at new location) the old premises costs (reduced levels as above), or
- Receive a commuted lump sum (based on a multiplier of reduced level old premises running costs) to help facilitate move costs, but receive no revenue contribution thereafter.

Where a local organisation wishes to run the library from other (non-County Council) premises, leading to a disposal of the existing library, the County Council may seek an interest in the alternative premises to protect the library service in the longer term.

## Freehold Transfers

Freehold transfer of the asset may be appropriate where:

- There is no County Council need for possible step-in for business recovery due to Library Access Model, or if non-provision increases the County Council's costs
- The building's use as a library has been superseded by another location or a different method of delivery
- There are no other County Council uses of the premises (e.g. Children's Centre or LEAP Centre) or potential for future use
- The property is not part of a larger County Council site or of other strategic importance.

The option exists to dispose of property at less than market value if the sale or transfer contributes to the economic, social and environmental well being of an area or otherwise offers value to the authority and the value is less than £2m (General Disposals Consent).

There is a clear procedure for deciding less than market value transfers which must be followed which includes appropriate authorisation of the transfer, together with a clear audit trail of how the decision was arrived at and justified.

## 2.6 Structural Delivery Models

### 2.6.1 Option 1: The in-house Model

In this model Suffolk County Council continues to be the direct provider of the library service, based on a new service structure model, through a separately designated **in-house business unit**.

#### **Relationship between the in-house unit and Suffolk County Council (SCC)**

The County Council continues as the statutory library body and an internal business unit will be set up to run the service. This unit will be given a set budget that it will have to operate within.

#### **Performance management**

The current audit and scrutiny mechanisms of the County Council will continue as will its internal processes to monitor that the service is satisfactorily meeting its duties. This will include quality assurance around performance levels, measures or standards which the library service is expected to meet. Performance monitoring will continue to take place, and continues to use capacity across the council to help with this.

#### **Governance**

The strategic direction for the service is set by the County Council's Cabinet, led by the portfolio holder and delegated to the appropriate Director for implementation. The short to medium term strategy for the library service is agreed between director, the expert commissioner and the head of service with the portfolio holder. This

strategy includes future developments and the contribution to the County Council's corporate priorities.

### **Autonomy of the in-house unit**

The in-house unit will have separate financial reporting from departments, which will mean it will have to work within a designated budget and not be able to transfer money in or out from/for other services. Otherwise it will have to fit in with all prevailing County Council policies and procedures and legal duties including health and safety, equalities and data protection.

### **Relationship between In-house unit and local library organisations**

The in-house service will encourage and foster local library governance. In the beginning this will be through developing relationships with pilot projects, and local groups who are not pilots but interested in taking on more responsibility. A Menu of Delegated Responsibilities has been developed that contains a number of different levels of delegated responsibility for local library organisations. This is in recognition that the County Council is not looking for a 'one-size-fits-all' solution. Local library organisations will be able to opt for what services are delegated to them in line with local needs and capacity. The services that are not delegated will be delivered by the in-house unit.

### **Central services**

Even where a community opts for the highest level of delegated responsibility, there will still be functions and services which are provided by the in-house unit and some will be mandatory for local groups to use. Examples of mandatory central services include the One Countywide Book Stock, the library management network, Suffolk Libraries Direct, information services and some training. All local library organisations will have to provide free access to book lending, the internet, help and information. The Menu of Delegated Responsibilities sets these out in more detail.

### **Community Support Function**

The In-house unit will have a role to play in encouraging communities to get involved in the governance of their local libraries. It will also need to build the capacity of the community to run the service effectively. This is an important function if the library service is not to become a one-size-fits-all-service. The In-house unit will develop model constitutions for local library organisations, deliver support to develop local governance and offer focussed training opportunities. This will help increase local governance. Differing levels of governance will impact on the potential for delegation.

Grant agreements will be developed with local library organisations that set out the expectations between them and the County Council and act as the basis of their partnership to deliver a library service.

The In-house unit will develop a performance management system to ensure local libraries with delegated responsibilities are complying with the grant agreement requirements. The business unit can utilise the existing County Council grant management processes and systems.

## **Other relevant issues**

### **Staffing**

Library staff would continue to be employed by the County Council, managed through Council systems and the County Council HR policies will apply. The only exception to this will be for staff at libraries where the local independent provider becomes the employer.

### **Finance**

Accountability will be through the existing reporting structures but the business unit will report on its budget separately to the Cabinet.

Income targets for the overall service are set by the County Council. Charges and fees will be set by the County Council. Local targets for income generation will be agreed with library organisations, as part of the grant agreement.

The In-house service could trade with other library services outside of Suffolk, it would also trade in Suffolk to provide library services to both prisons and schools. Trading will be limited in this model.

### **ICT**

The library network, including infrastructure (broadband, servers, and network connections), applications and software and hardware will be provided as now through contractual arrangements between the County Council and CSD. Licensing arrangements will continue as now using the local government discounts.

The ICT networks and infrastructure is provided to local groups. Details of how local library organisations might add to or provide their own computers have yet to be confirmed.

### **Property and Assets**

The continued provision of the service by the Council would not require a change to the way in which property is held and managed. There would be no initial set-up costs but equally no immediate saving in property running costs. However there is still the opportunity to lease or transfer assets to local library organisations.

### **Assumptions**

The In-house unit will not wish to set up a trading based relationship with local libraries

### **Timescales, Transitions and Set-up**

An in-house model does not require any formal set-up process.

There would need to be a restructure of tiers of management and for the central functions. There would be a consultation before this and a period of notice after any restructuring process.

## Illustrative timetable

	<b>Duration – No of Days</b>	<b>Start</b>	<b>Finish</b>
<b>Option 1 – in house</b>	<b>91</b>	<b>3/1/12</b>	<b>15/4/12</b>
Earliest consultation on restructure	90	3/1/12	1/4/12
Earliest new structure in place	14	05/03/12	18/03/12

### 2.6.2 Option 2: The Wholly Owned Company Model

In this model the library service would be run by a **company limited by guarantee wholly owned by Suffolk County Council (the company)**. The wholly owned company is set up by a local authority to deliver services to the authority to an agreed specification.

This is a simple structure in which Suffolk County Council would own the company and hence have a right to close it down or change the Board at any point in the future.

It cannot be registered with the Charity Commission as a charity.

#### **Relationship between the Company and Suffolk County Council (SCC)**

##### **Contractual relationship**

The County Council will set the strategic direction for library services and continue as the statutory library body. It will commission the wholly owned company with an outcome based grant agreement to enable a countywide library service which meets the Council's statutory duties and delivers the outcomes the Council want to see delivered. Hence this will be a contractual relationship. As the company is wholly owned by the Council, the Council will have significant influence over the direction of the company.

The Council will at all times wish to ensure that the company is enabled to meet its statutory duties.

##### **Performance management**

The County Council will set out performance criteria and measures, within the grant agreement, including quality assurance and financial management. It will be the County Council commissioner's role to monitor these.

The Company will also be likely to establish its own performance and financial management systems to reassure itself that its core business is being delivered to a high standard.

The financial modelling assumed that Policy and Performance functions would be provided for and paid for by the County Council.

### **Contract risk**

In the case of business failure or the company defaulting on grant agreement requirements, the County Council has four options. (N.B. these options are not mutually exclusive). These options would be to:

1. Replace the board – the County Council can replace the board at any time
2. Remove the grant agreement – the County Council can withdraw the agreement and the funding that goes with it
3. Close the company down – as a wholly owned company the County Council can close the company down at any point
4. Bring the service back in-house – the County Council can bring the service back in-house as a short or long-term solution.

### **Audit and Scrutiny**

Any contract or grant agreement will include access by audit and the requirement to attend scrutiny. The financial modelling assumed that these services would be provided for and paid for by the County Council.

### **Company Governance**

Whilst the Council will own and control the Company and thus can make appointments to the company board, the board can include independent Board Directors. Thus it is possible for a mix of business skills and for community participation to be obtained and developed by the appointment of appropriate representatives, including of community organisations, who are not County Councillors or Officers. These appointments always remain at the discretion of the Council. The composition of the board may evolve and change over time to become increasingly independent but this is completely at the discretion of the County Council.

All Board directors have a legal duty to act in the interest of the company, and this would include County Council representatives. The Company's board of directors will have responsibility for setting the strategic direction of the company; although the County Council could replace the board if they disagreed with the direction.

In this model local library organisations do not have direct input into the direction and running of the company, though this would be possible through company board appointments from community organisations.

### **Relationship between the Company and local library organisations**

The Company will support local library organisations to deliver a library service by providing services that empower and enable them to do so. This is to support the key aim to deliver local governance where libraries are governed by local groups based in the community.

The relationship between the Company and local library organisations will be based on a commercial relationship where they will provide services that the libraries wish to purchase, encouraging all parties to act in a business-like fashion and

encouraging the company to be demand-responsive. This could also improve the ability of the Company to trade with external organisations.

The Company will develop a mechanism (such as a grant agreement) to agree an individual budget/service offer with each of the library organisations. The Company and the local library organisations will negotiate, using the menu of delegated responsibilities, which parts of the service the local library organisation will deliver, what they will buy from the company and what they will wish to purchase elsewhere.

### **Community support function**

The Company will have a role to play in encouraging communities to get involved in the governance of their local libraries. It will also need to build the capacity of the community to run the service effectively. This is an important function if the library service is not to become a one-size-fits-all-service. Within this the Company will develop model constitutions, deliver support to develop local governance and focussed training opportunities.

### **Local Performance Monitoring**

The Company will need to develop a performance management system to ensure local libraries are delivering what they have agreed, also ensuring it is delivering on its grant agreement with the County Council. The company will be responsible for ensuring that the service is delivered across the county.

### **Other relevant issues**

#### **Staffing**

Staff now employed by the library service will transfer to the Company with a Transfer of Undertakings (Protection of Employment) Regulations (TUPE) process.

All staff will remain employed by the company, including staff at local libraries. The only exception to this will be for staff at libraries where the local library organisation becomes the employer through adopting the full level of delegated responsibility within the menu of delegated responsibilities.

The financial modelling assumes that CSD will continue to provide HR services.

#### **Finance**

The County Council will provide funding for the library service, with a grant agreement, and would expect the company to distribute a share of this budget as appropriate to local library organisations. Local library organisations will purchase services from the company based on local needs and the menu of delegated responsibilities.

Income will be raised through trading and fundraising. The Company could trade with other library services outside of Suffolk and with businesses who may wish to purchase some of the flexible service options. It will also trade in Suffolk to provide library services to prisons and schools.

## **ICT**

Initially the library IT network, including infrastructure (broadband, servers, and network connections), applications and software and hardware will be provided as now through contractual arrangements between the County Council and CSD.

Licensing arrangements are an issue as the company will not be able to continue to use the local government discounts. This will add considerable costs.

The existing ICT networks and infrastructure will be provided to local library organisations. Details of how local library organisations might add to or provide their own computers have yet to be confirmed.

## **Property and Assets**

The County Council would retain the property assets and seek to allow occupation by the new company by way of licence agreements. The Council would continue to run and manage the buildings as it is assumed there would be no property expertise in the new company.

This organisational structure does not include the potential for an asset lock to safeguard the company from being asset stripped. Since the company is wholly owned by the County Council, any proceeds of any sold assets would revert to the Council in any case, and the Council could specify that the directors do not have this responsibility.

## **Assumptions**

- The board of directors will agree with the vision of becoming an enabling service and encouraging community governance, and develop an operational model that reflects it and if they don't they will be replaced by those who do.
- The company will comply with and support the County Council's legal duties including health and safety, equalities and data protection and develop policies to support these.

## **Timescales, Transitions and Set-up**

A company limited by guarantee needs to be set up and registered with Companies House. Staff will need to be TUPE'd across.

## Illustrative timetable

<b>Task Name</b>	<b>Duration- no of days</b>	<b>Start</b>	<b>Finish</b>
<b>Option 2 - Wholly owned company</b>	<b>110</b>	<b>20/12/11</b>	<b>07/04/12</b>
Sign-up of founding Directors	3	20/12/11	22/12/11
Company registration with Companies House	14	23/12/11	05/01/12
Advertise and appoint board	35	03/01/12	06/02/12
Apply for LGPS Admitted Body Status	90	08/01/12	06/04/12
Interim board to design staff structure, develop vision etc.	60	07/02/12	06/04/12
Interim board to negotiate with SCC terms of contract	60	07/02/12	06/04/12
TUPE Consultation	30	06/02/12	09/03/12
Staff transfer via TUPE	1	07/04/12	07/04/12
At Company's discretion:	52	08/04/12	29/05/12
Earliest staff consultation on re-structure	30	08/04/12	07/05/12
Earliest new structure in place	1	29/05/12	29/05/12
notice period for staff	90	08/05/12	05/08/12

### 2.6.3 Option 3: The External Social Enterprise Model

In this model the library service will be enabled by a central support organisation set up as an **Industrial and Provident Society for the benefit of the community (IPS)**.

An industrial and provident society (IPS) is registered with the Financial Services Authority (FSA) under the Industrial and Provident Societies Act 1965<sup>6</sup>. Being regulated by the FSA provides additional financial and constitutional probity to the company, as annual accounts and any constitutional change have to be approved by the FSA.

It can register with Her Majesty's Revenue and Customs (HMRC) as a charitable organisation which will allow it to enjoy a number of tax benefits.

#### **Relationship between the IPS and Suffolk County Council (SCC)**

##### **Contractual relationship**

The County Council will set the strategic direction for library services and continue as the statutory library body. It will commission the IPS with an outcome based grant agreement to enable a countywide library service which meets the Council's statutory duties and delivers the outcomes the Council want to see delivered. Hence this will be a contractual relationship. The grant agreement will form the basis for developing a genuine partnership to ensure the delivery of the library service.

The Council will at all times wish to ensure that the IPS is enabled to meet its statutory duties.

##### **Performance management**

The County Council will set out performance criteria and measures, within the grant agreement, which will demonstrate how this duty is being met, including quality assurance and financial management. It will be the County Council commissioner's role to monitor these.

The IPS will also be likely to establish its own performance and financial management systems to reassure itself that its core business is being delivered to a high standard.

##### **Contract risk**

In the case of business failure or the IPS failing to deliver on grant agreement requirements, the County Council has two options. (N.B. these options are not mutually exclusive). These options are:

- Remove the grant agreement – the County Council can withdraw the agreement and the funding that goes with it
- Bring the service back in-house – the County Council can bring the service back in-house as a short or long-term solution.

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<sup>6</sup> [http://www.fsa.gov.uk/pages/doing/small\\_firms/msr/societies/index.shtml](http://www.fsa.gov.uk/pages/doing/small_firms/msr/societies/index.shtml)

There is little or no alternative market delivering a similar model to commission from if the business fails.

### **Audit and Scrutiny**

The IPS will be outside of the County Council's scrutiny and internal audit policies and procedures. However rights of access and attendance at scrutiny and audit committees can be built into the contract.

### **Governance**

The IPS will be a member-led organisation as it will be governed by a board of directors who will be elected by members of the company. Other aspects of the governance include:

- Only members of the IPS can become directors.
- Only local library organisations or other libraries using the enabling services of the IPS can become members.
- Each member organisation has one vote regardless of size ("one member one vote" principle)
- Individuals cannot become members
- The IPS board of directors will have responsibility for setting the strategic direction of the company
- All Members will be entitled and encouraged to participate in General Meetings, including the Annual General Meeting (AGM) of the IPS

### **Interim board**

There will be a requirement for an interim board as initially there will be no independent libraries who will be eligible to be members. The County Council will appoint the interim board to allow the IPS time to form and establish itself. The IPS is required to have an AGM and elect a new board from its members within 18 months of set-up. The IPS Board will be totally independent from the County Council.

### **Membership**

It is expected that every library in the Suffolk libraries network will eventually become a member of the IPS. Local library organisations must be constituted i.e. be an organisation or an association in order to become a member.

Membership is also open to organisations who wish to start a library with the Suffolk Libraries branding (without County Council funding attached to it), by becoming a member of the Suffolk libraries network and buying the services offered by the IPS. Other organisations can trade with the IPS but will not become members

The Menu of Delegated Responsibilities sets out some of the other conditions of membership and expectation of members.

### **Relationship between IPS and local libraries**

The IPS will focus on supporting members to deliver a library service by providing services that empower and enable them to do so. This is to ensure the key aim to

deliver local governance, where libraries are governed by communities for communities.

The relationship between the IPS and local libraries will be twofold:

- Firstly, as members of the IPS they will develop the strategy for the company and there will be direct connectivity between the IPS and local library organisations through the membership
- Secondly, the relationship will be based on a commercial relationship where the IPS will provide services that the local libraries wish to purchase, encouraging all parties to act in a business-like fashion and encouraging the IPS to be demand-responsive.

The IPS will develop a mechanism (such as a grant agreement) to agree an individual budget/service offer with each of the library organisations. The IPS and the members will negotiate using the Menu of Delegated Responsibilities to decide which of the flexible services the local library organisation will deliver, what they will buy from the company and what they will wish to purchase from elsewhere.

### **Community support Function**

The IPS will have a role to play in encouraging communities to get involved in the governance of their local libraries. This will make the local library organisation eligible for membership and thus boost membership, improving the governance. It will also need to develop members by providing focussed training opportunities and support packages to ensure the service is run effectively. This is an important function if the library service is not to become a one-size-fits-all-service.

### **Local Performance Monitoring**

The IPS will need to develop a performance management system to ensure local libraries are delivering what they have agreed, thus ensuring it is delivering on its grant agreement with the County Council. The IPS will be responsible for ensuring that the service is delivered across the county.

### **Other relevant issues**

#### **Staffing**

Staff now employed by the library service will transfer to the IPS with a Transfer of Undertakings (Protection of Employment) Regulations (TUPE) process.

All staff will remain employed by the IPS including those who work in local libraries. The only exception to this will be for staff at libraries where the local library organisation becomes the employer adopting the full level of delegation within the menu of delegated responsibilities.

#### **Finance**

The County Council will provide funding for the library service, with a grant agreement, and would expect the IPS to distribute a share of this budget as appropriate to local library organisations. Local library organisations will purchase

services from the IPS based on local needs and the menu of delegated responsibilities to develop their service offer.

There are expectations that income will be raised through trading and fundraising. The IPS can trade with other library services outside of Suffolk and with businesses who may wish to purchase some of the flexible service options it will develop. It will also trade in Suffolk to provide library services to prisons and schools.

## **ICT**

The IPS would be free to choose their provider for ICT (Information and Communications Technology). Initially it may choose for the provision of the library IT network, including infrastructure (broadband, servers, and network connections), applications and software and hardware from CSD to be continued through existing contractual arrangements between the County Council and CSD.

Licensing arrangements are not as likely to be an issue as the charitable status of the IPS is likely to be eligible for public sector discounts on licenses.

The existing ICT networks and infrastructure will be provided to local library organisations. Details of how local library organisations might add to or provide their own computers are to be investigated.

## **Property and Assets**

The occupation of the property by an independently owned and governed body would require the transfer of property to the IPS. This would be by way of leasehold rather than freehold transfers. Leases would be on a landlord (the County Council) full repairing and insuring basis as it is assumed there would be no property expertise in the IPS.

This structural model includes the potential for an asset lock, so that any assets the IPS may hold - the property, equipment and the book stock for example - cannot be disposed of or reused, without formal permission of the FSA and the proceeds of any sale will need to be re-invested into the company (or a similar company if wound up).

## **Assumptions**

- The board of directors will agree with the vision of becoming an enabling service and encouraging community governance, and develop an operational model that reflects it
- The IPS will comply with and support the County Council's legal duties including health and safety, equalities and data protection and develop policies to support these.

## Timescales, Transitions and Set-up

### Illustrative timetable

Task Name	Duration- number of days	Start	Finish
<b>Option 3 - IPS</b>	<b>138</b>	<b>20/12/11</b>	<b>05/05/12</b>
Sign-up of founding Directors, and adopt rules for the IPS.	3	20/12/11	22/12/11
IPS registration with FSA	42	23/12/11	27/01/12
Invite and appoint interim board	35	28/12/11	27/01/12
Apply for LGPS Admitted Body Status	90	30/01/12	04/05/12
Interim board to design staff structure, develop vision etc.	60	01/02/12	18/04/12
Interim board to negotiate with SCC terms of contract	45	17/02/12	01/04/12
TUPE Consultation	30	06/02/12	09/03/12
Staff transfer via TUPE	1	07/05/12	07/05/12
At IPS' discretion:	547	03/02/12	02/08/13
Earliest staff consultation on re- structure	30	08/05/12	04/06/12
Earliest new structure in place	1	26/06/12	26/06/12
Latest date of AGM and first elected Board		02/08/13	02/08/13
notice period	90	05/06/12	02/09/12

## 2.7 Financial Modelling of the Library Service Future Options

### Summary

The reference model has been costed in three defined organisational legal forms. The costs have been estimated based on the assumptions detailed in section three of this report. Table One summarises the estimated costs of the three different options once fully implemented.

**Table One**

	In House		Arms Length		Industrial Provident Society	
	Cost £'M	% reduction relative to 10/11 budget	Cost £'M	% reduction relative to 10/11 budget	Cost £'M	% reduction relative to 10/11 budget
Annual Running Costs	7.042	-21.4%	7.050	-21.3%	6.487	-27.6%

Table Two summarises the set up costs in establishing each of the new structures.

**Table Two**

	In House	Arms Length	Industrial Provident Society
Set up and transition costs	£0.359m	£0.486m	£0.652m

Further financial details are provided at Appendix A and B.

Overall, each of the three structures cost less than the current service. This is primarily due to a reduction in the number (and hence cost) of staff working in the service.

The financial modelling indicates that the Industrial and Provident Society (IPS) model has the lowest ongoing costs. This is due to two factors:

- The property costs are reduced due to the anticipated 80% NNDR (National Non Domestic Rates (Business Rate)) exemption.
- As the organisation is independent of the County Council, there is a much lower level of corporate overhead costs which are attributable to the service.

The model with the highest level of set up costs is the IPS. The financial modelling indicates that the IPS would cost approximately £300k more to set up than the in house model. However, once established, the IPS saves at least £500k per annum more than the in house model.

## Affordability

The financial target for the library service was to achieve a cost reduction of 30% (10% a year for three years) relative to the 2010/11 budget. None of the models currently achieve this, although the IPS comes closest, with an anticipated 27.6% reduction in costs.

Table Three shows the cost of each model relative to the available budget in 2013-14.

**Table Three**

	<b>Available Budget 2013-14</b>	<b>In-House</b>	<b>Arms Length</b>	<b>Industrial Provident Society</b>
Annual Running Costs	£6.272m	£7.042m	£7.050m	£6.487m

Sensitivity analysis has been applied to the financial modelling to take account of the potential under- and over-estimate of costs. Table Four shows a range of best case and worst case estimates for each financial model. **This indicates that in the best case scenario, the IPS could achieve the 30% savings target.** Conversely the worst case scenario sees a 23.5% cost reduction.

**Table Four**

	<b>In House</b>		<b>Arms Length</b>		<b>Industrial Provident Society</b>	
	Cost £'M	% reduction relative to 10/11 budget	Cost £'M	% reduction relative to 10/11 budget	Cost £'M	% reduction relative to 10/11 budget
Annual running Costs Best Case	6912	-22.9%	6895	-23.1%	<b>6255</b>	<b>-30.2%</b>
Annual Running Costs Realistic Case	7042	-21.4%	7050	-21.3%	6487	-27.6%
Annual Running Costs Worst case	7199	-19.7%	7259	-19.0%	<b>6853</b>	<b>-23.5%</b>

## Assumptions Supporting the Financial Models

### Direct Costs

Employee costs have been calculated based on the structure within the reference model.

The staffing assumptions in the model are:

- a) there is no assumption that staff will be replaced by volunteers in any of the models.

- b) a 10% reduction of pay terms in the Limited Company and IPS models for new staff only.
- c) the historic turnover rate of 4.8% per annum has been applied for the purpose of calculating new employee costs in models 2 and 3.
- d) no changes to sickness pay for new staff in Limited Company and IPS models.
- e) no allowance has been made for inflationary increases or incremental progression in all service delivery models. (see paragraph 4.1)

The reference model contains cost estimates for relief staff within the employee expenses of direct costs. Relief staff are currently used to complement the existing staff structure and to cover for sickness and absence.

The costing of each reference model assumes that the local community will provide funding or identify cost reductions totalling 5% of direct costs. The expectation is that the community group supporting each library will be able to meet this 5% requirement through a combination of:

- Fundraising
- Local cost reduction initiatives (e.g. local provision of repairs and maintenance at a lower cost than SCC)
- Sourcing back office functions (finance / HR / ICT) at a lower cost than the County Council
- Sales and lettings

If the community groups are unable to achieve this 5% then the cost of running individual libraries would have to be reduced through other means such as reducing activities or staffing levels.

## **Indirect Costs**

The costs of the staff within the central library enabling service in the reference model appear in indirect costs, Central Employees. Employee costs budgets currently associated with indirect cost centres have been removed under the assumption that the reference model reflects the need of the entire library service.

An estimate has been made for the additional cost of insurance (Directors and Official's insurance and Professional indemnity) in the Limited Company and IPS model.

The financial modelling assumes a cost for commissioning in all three service delivery types of approximately £40k. This is not illustrated in the financial model as the cost will be incurred by the County Council

The indirect costs contain an estimate for the costs of professional expertise which is in addition to that within the proposed permanent workforce. These costs are detailed in **Table Five**, and relate to the arms length company and the IPS only. For the in-house model and wholly owned company, it is assumed that the specialist services listed in Table Five would be provided for and paid for by the County Council. They are accounted for within the corporate overheads.

**Table Five**

<b>Analysis of Purchase of Specialist Expertise and Other Services</b>	<b>SCC Wholly Owned Enterprise (Limited Company) £'000</b>	<b>Independent (Industrial and Provident Society) £'000</b>
Specialist Expertise and Other Services		
Specialist Expertise	100	100
Legal	0	6
Audit	0	3
Procurement	0	20
Policy and Performance	0	22
Additional High Level Human Resources Expertise	0	6
Health and Safety	0	9
<b>Total</b>	<b>100</b>	<b>166</b>

**Corporate Overheads**

The model assumes 80% NNDR relief for IPS service delivery. The model does not include any of the 20% discretionary level made in each Local Authority. There is currently a National review underway with a proposal that local authorities retain locally collected business rates. The outcome of the review could impact on the level of funding available to local authorities in Suffolk, although is not likely to impact directly on the costs of the IPS.

Under the Limited Company model, property will be arranged through a licence. In an IPS service model the property will be leased to the new entity.

The financial model does not include the cost of any ICT renewals in all 3 models under the assumption that these could be met by existing County Council budgets.

Models one and two assume that CSD services will continue to be provided at the same level and cost as currently. For the IPS model, it is prudently assumed that the current costs for HR and Finance (currently charged by CSD) will remain at the same level, with the IPS having the freedom to decide how to use this budget, including the possibility to employ an HR advisor within the IPS. ICT costs within the IPS have been estimated at approximately 4% of the organisation's turnover. This is in line with industry benchmarks, and represents a lower cost than the current CSD ICT provision.

**Set-up and transition costs**

For the In House Service delivery model it is assumed that the transition costs of HR, Finance and IT will be absorbed in 'Business As Usual' element of the CSD contract.

The ongoing costs of any additional work in all models has been estimated based on indicative costs from previous divestments.

ICT licensing costs assume 150 users (All Non Public Access terminals) at £320 per user plus 50% margin for client licences for line of business systems (Galaxy). In addition, it also assumes that Public Terminals in Libraries do not have Microsoft Office.

The estimated cost of staffing transition has been based on a County Council strategic Finance model developed at 2010-11 year end and on staffing grades calculated by the current staffing split provided by Adult & Community Services (ACS).

There will be a cost associated with the transfer of leases for an IPS; this is estimated at £150k. It assumes the corporate infrastructure licensing costs are attributable to SCC and not the divestee. CSD HR, ICT and Finance transition and set up costs are purely indicative and subject to detailed analysis of requirement.

## **Reserves**

The library service currently has a carry forward and renewals reserve of £190k. It is assumed in all three scenarios that this reserve continues to be held by the service commissioner and deployed through discussion with the future library provider. It would be the responsibility of either the Board of the Arms Length Company or IPS to agree the appropriate level of reserve which is commensurate with the level of risk they anticipate. Consequently, the one off costs of establishing any increase in reserves has not been accounted for in the modelling for these options.

## **Pensions**

It is assumed for planning purposes that the future library service will have admitted body status to the Suffolk Pension Scheme. Whether it operates as an open scheme (new employees can join the LGPS) or as a closed scheme (new employees cannot join the LGPS - in which case the employer must make alternative pension provision available) is still under consideration. It is assumed that no extra pension costs will be incurred as a consequence of the divestment. No account has been taken of any changes to pension regulations or potential changes in employer or employee contribution rates in the future.

As part of the application for admitted body status the Suffolk Pension Scheme may require Suffolk County Council to underwrite future liabilities. This should have no impact on the affordability any of the library structural models. A formal proposal will need be included in the paper to Council once the Cabinet has selected its preferred structural model.

## **VAT**

VAT is cost neutral throughout the structures being recoverable in relation to either the Council's statutory duties, or to the taxable trade within the other models. If trading outside the Council there may be cash flow impacts within the other models.

## Corporation Tax

It is assumed that taxable profits will be not be of a sufficient level for Corporation Tax to have a significant impact upon the models.

## Inflation

The models have been costed at the 2011/12 price base and have not been adjusted for inflation. This principle has been applied consistently to all three models to ensure fair comparison. Inflation will need to be taken into account at a future point when agreeing the contract value between commissioner and service provider.

## Sensitivity Analysis

The Arms Length Body and Industrial & Provident Society models are both conceptually new for the Suffolk Library Service. Consequently there is a degree of uncertainty surrounding the cost estimates for each model. Sensitivity analysis has been used to try to assess the scale of this uncertainty. Each of the major cost classifications has been considered and assessed for the likely range of cost compared to the realistic assessment. In the 'worst case' scenario costs are higher than anticipated, whilst in the best case scenarios, costs are lower than currently anticipated. Table Six below details the index factor used in the sensitivity analysis.

**Table Six**

		<b>In House</b>	<b>Arms Length</b>	<b>Industrial Provident Society</b>
<b>Employee Expenses</b>	worst case	1.0%	2.0%	4.0%
	best case	-0.5%	-1.0%	-2.0%
<b>Indirect Costs</b>	worst case	1.0%	2.0%	4.0%
	best case	-0.5%	-1.0%	-2.0%
<b>ICT</b>	worst case	0.0%	0.0%	4.0%
	best case	0.0%	0.0%	-2.0%
<b>Property</b>	worst case	0.0%	0.0%	4.0%
	best case	0.0%	0.0%	-2.0%
<b>Community Contribution Adjustment</b>	worst case	0.0%	0.0%	0.0%
	best case	-10.0%	-10.0%	-10.0%

## Capital Charges

Capital Charges are not included in the financial modelling for the purposes of consistent evaluation. Capital Charges would exist in all 3 models as an accounting adjustment, not an actual cost to service.

## **Mobile Library Costs**

All service delivery types assume 3 Mobile Libraries in use (previously 6) - the capital receipts from the sale of obsolete mobiles has not been included. Mobile Library Costs have been calculated on the basis of a £225k (38%) reduction in costs based on a 50% reduction in vehicles for non-employee costs, and a proportionate reduction in servicing and fuel costs.

## **Other Financial Assumptions**

### **Costs Excluded for Comparator purposes**

The following items are currently outside of the financial model. They are currently funded by Suffolk County Council corporate budgets rather than Library Service budgets. The assumption is that these items will be consistent in each financial model and have therefore not included for evaluation purposes.

- inflation
- ICT renewals funds
- Training costs.
- Commissioning Costs
- Insurance

## **Treatment of Overheads**

One of the major areas of savings identified in the financial modelling is the reduction in the level corporate overheads which are attributable the IPS library model. It is important to recognise that these overhead costs are the responsibility of Suffolk County Council, and will need to be managed downwards if genuine cash savings are to be realised. The 2012/13 and 2013/14 County Council budget will address this.

## **Capital Developments**

The capital funding requirements of the current library service are funded from capital reserves and prudential borrowing. Such expenditure is subject to the existing request and approvals processes.

It is anticipated that in the future both the In House and Arms Length Body would continue to be able to apply for capital funding using existing processes. An IPS based service may be able to secure capital funding via a grant from the County Council. This would require commissioner support. All of the above are subject to the availability of capital funding and the Council existing approvals processes.

## **Contractual relationship**

It is assumed that in each service model that the annual level of funding available for the library service will be determined through the County Council's budget planning process. Consequently any funding decreases or increases, and consequent service changes, will take place through the library service commissioning process.

## Appendix A

Summary by Cost Type Within the Library Service (including Mobile Libraries)																				
		v1.2 of Libraries Unit Costing Model published for Libraries Public Consultation in January 2011	In House Provision			Variance from 2010-11 Position			SCC Wholly Owned Enterprise (Limited Company)			Variance from 2010-11 Position			Independent (Industrial and Provident Society)			Variance from 2010-11 Position		
Controllable	Direct Costs		£2,670,896	£2,040,241	£630,655	-24%	£1,985,305	£685,591	-26%	£1,985,305	£685,591	-26%	£1,985,305	£685,591	-26%	£3,068,865	£1,258,952	-29%	£3,068,865	£1,258,952
	Indirect Costs	£4,327,817	£3,016,356	£1,311,462	-30%	£3,091,039	£1,236,779	-29%	£3,091,039	£1,236,779	-29%	£3,091,039	£1,236,779	-29%	£1,532,584	£430,124	-22%	£1,532,584	£430,124	-22%
Non Controllable	Corporate Overhead Costs	£1,962,708	£2,087,158	£124,451	6%	£2,072,537	£109,829	6%	£2,072,537	£109,829	6%	£2,072,537	£109,829	6%	£6,586,754	£2,374,667	-26%	£6,586,754	£2,374,667	-26%
	<b>Sub Total</b>	<b>£8,961,421</b>	<b>£7,143,755</b>	<b>£1,817,666</b>	<b>-20%</b>	<b>£7,148,881</b>	<b>£1,812,541</b>	<b>-20%</b>	<b>£7,148,881</b>	<b>£1,812,541</b>	<b>-20%</b>	<b>£7,148,881</b>	<b>£1,812,541</b>	<b>-20%</b>	<b>£6,586,754</b>	<b>£2,374,667</b>	<b>-26%</b>	<b>£6,586,754</b>	<b>£2,374,667</b>	<b>-26%</b>
	Community contribution Adjustment (% of Direct Costs)		-£102,012		5.0%	-£99,265		5.0%	-£99,265		5.0%	-£99,265		5.0%						
	Sensitivity Analysis (Worst Case Scenario)		£55,031		0.8%	£110,458		1.5%	£110,458		1.5%	£265,910		4.0%						
	Sensitivity Analysis (Best Case Scenario)		-£129,528		-1.8%	-£154,494		-2.2%	-£154,494		-2.2%	-£232,220		-3.5%						
Financial Model Outcomes	Total Estimated Cost - Best Case Scenario		<u>£6,912,216</u>	<u>£2,049,206</u>	-22.9%	<u>£6,895,121</u>	<u>£2,066,300</u>	-23.1%	<u>£6,895,121</u>	<u>£2,066,300</u>	-23.1%	<u>£6,255,269</u>	<u>£2,706,153</u>	-30.2%	<u>£6,255,269</u>	<u>£2,706,153</u>	-30.2%	<u>£6,255,269</u>	<u>£2,706,153</u>	-30.2%
	Total Estimated Cost - Realistic Scenario	<u>£8,961,421</u>	<u>£7,041,743</u>	<u>£1,919,678</u>	-21.4%	<u>£7,049,615</u>	<u>£1,911,806</u>	-21.3%	<u>£7,049,615</u>	<u>£1,911,806</u>	-21.3%	<u>£6,487,489</u>	<u>£2,473,932</u>	-27.6%	<u>£6,487,489</u>	<u>£2,473,932</u>	-27.6%	<u>£6,487,489</u>	<u>£2,473,932</u>	-27.6%
	Total Estimated Cost - Worst Case Scenario		<u>£7,198,787</u>	<u>£1,762,634</u>	-19.7%	<u>£7,259,338</u>	<u>£1,702,083</u>	-19.0%	<u>£7,259,338</u>	<u>£1,702,083</u>	-19.0%	<u>£6,852,664</u>	<u>£2,108,757</u>	-23.5%	<u>£6,852,664</u>	<u>£2,108,757</u>	-23.5%	<u>£6,852,664</u>	<u>£2,108,757</u>	-23.5%
Set Up	Set up and Transition Costs related to the Library Service Delivery Model		<u>£359,368</u>			<u>£485,890</u>			<u>£485,890</u>			<u>£651,968</u>								

## Appendix B

Summary by Cost Type and Sub Type Within the Library Service (including Mobile Libraries)											
		v1.2 of Libraries Unit Costing Model published for Libraries Public Consultation in January 2011	In House Provision	Variance from 2010-11 Position		SCC Wholly Owned Enterprise (Limited Company)	Variance from 2010-11 Position		Independent (Industrial and Provident Society)	Variance from 2010-11 Position	
Controllable	<b>Direct Costs</b>										
	Employee Expenses	£3,398,449	£2,486,774	-\$911,675	-27%	£2,431,837	-\$966,612	-28%	£2,431,837	-\$966,612	-28%
	Supplies and Services	£16,024	£30,500	£14,476	90%	£30,500	£14,476	90%	£30,500	£14,476	90%
	Income	-\$754,491	-\$492,097	£262,395	-35%	-\$492,097	£262,395	-35%	-\$492,097	£262,395	-35%
	All Other Direct Costs	£10,914	£15,064	£4,150	38%	£15,064	£4,150	38%	£15,064	£4,150	38%
	<b>Total Direct Costs</b>	<b>£2,670,896</b>	<b>£2,040,241</b>	<b>-\$630,655</b>	<b>-24%</b>	<b>£1,985,305</b>	<b>-\$685,591</b>	<b>-26%</b>	<b>£1,985,305</b>	<b>-\$685,591</b>	<b>-26%</b>
	<b>Indirect Costs</b>										
	Stock (Books and Stock Unit Running Costs)	£1,776,025	£1,240,237	-\$535,788	-30%	£1,240,237	-\$535,788	-30%	£1,240,237	-\$535,788	-30%
	Employee Expenses - Stock Unit	£358,510	£105,489	-\$253,021	-71%	£105,489	-\$253,021	-71%	£105,489	-\$253,021	-71%
	Employee Expenses - Central Employees	£1,238,822	£978,481	-\$260,341	-21%	£978,481	-\$260,341	-21%	£978,481	-\$260,341	-21%
Indirect Costs - Controllable (within the service)	£895,523	£620,093	-\$275,430	-31%	£600,133	-\$295,390	-33%	£512,099	-\$383,425	-43%	
Indirect Costs - Controllable (outside the service)	£58,937	£72,056	£13,118	22%	£66,699	£7,761	13%	£66,699	£7,761	13%	
Purchase of Specialist Expertise and Other Services		£0	£0			£100,000	£100,000		£165,861	£165,861	
<b>Total Indirect Costs</b>	<b>£4,327,817</b>	<b>£3,016,356</b>	<b>-\$1,311,462</b>	<b>-30%</b>	<b>£3,091,039</b>	<b>-\$1,236,779</b>	<b>-29%</b>	<b>£3,068,865</b>	<b>-\$1,258,952</b>	<b>-29%</b>	
Non Controllable	<b>Corporate Overheads</b>										
	ICT	£317,986	£327,374	£9,388	3%	£341,657	£23,670	7%	£247,401	-\$70,585	-22%
	Property	£1,011,900	£1,281,396	£269,496	27%	£1,281,396	£269,496	27%	£899,645	-\$112,254	-11%
	Other Corporate Overheads	£632,821	£478,389	-\$154,433	-24%	£449,484	-\$183,337	-29%	£385,537	-\$247,284	-39%
<b>Total Corporate Overhead Costs</b>	<b>£1,962,708</b>	<b>£2,087,158</b>	<b>£124,451</b>	<b>6%</b>	<b>£2,072,537</b>	<b>£109,829</b>	<b>6%</b>	<b>£1,532,584</b>	<b>-\$430,124</b>	<b>-22%</b>	
<b>Cost of Library Service (Realistic Scenario - Pre Sensitivity Analysis)</b>		<b>£8,961,421</b>	<b>£7,143,755</b>	<b>-\$1,817,666</b>	<b>-20%</b>	<b>£7,148,881</b>	<b>-\$1,812,541</b>	<b>-20%</b>	<b>£6,586,754</b>	<b>-\$2,374,667</b>	<b>-26%</b>
Set Up	<b>Set up and Transition Costs</b>										
	Finance		£0			£10,000		£10,000			
	HR		£0			£10,000		£10,000			
	ICT		£0			£10,000		£10,000			
	ICT - Licensing		£0			£75,000		£75,000			
	Legal		£0			£10,000		£10,000			
	Registration		£0			£20		£1,000			
	Transfer of Property Leases		£0			£0		£150,000			
	Estimated cost of Staffing Transition		£326,698			£326,698		£326,698			
	<b>Set up and Transition Costs</b>		<b>£326,698</b>			<b>£441,718</b>		<b>£592,698</b>			
<b>Sensitivity Analysis of Set-Up and Transition Costs</b>		<b>£32,670</b>		<b>10%</b>	<b>£44,172</b>		<b>£59,270</b>		<b>10%</b>		
<b>Total Set up and Transition Costs</b>		<b>£359,368</b>			<b>£485,890</b>		<b>£651,968</b>				

## Section 3 - Additional Information

- Other social enterprise models considered
- Procurement Statement
- Community Governance Pilots - Overview
- Synopsis of Developments in England: what's happening elsewhere
- Case Study: Chalfont St. Giles Community Library

### 3.1 Other social enterprise models considered

There is a multitude of options for legal and organisational forms for setting up a social enterprise. This appendix gives a brief description of the key models that have been considered as alternative options to the Industrial and Provident Society for the Benefit of the Community (IPS BenCom) that has been evaluated in the Best Value evaluation.

*Please note:*

- The “limited company” options below are all “companies limited by guarantee”. This can be seen as more appropriate than “companies limited by share”, given that it is not expected that the company would pay dividends to shareholders, or that it should raise finance by issuing shares.
- Fully employee-owned models have been ruled out based on the importance that communities need to play in the library service.

#### **I) Charitable company by guarantee with participating membership**

**Description:** This model was considered as an alternative to the evaluated IPS, using a similar model of a ‘participating membership – i.e. having a company’s board of directors which is accountable to a wider membership, with members typically holding voting rights at general meetings and electing all or some of the directors.

Membership would be made up of a large pool of interested parties including beneficiaries (which could include community representatives). Unlike a IPS, a charitable company cannot exist purely for the benefit of the membership (charity requirement) – thus criteria would be required for membership, and membership would be wider. To become charitable, the company would have to be registered with Charity Commission, involving additional paperwork and higher accounting standards.

[The IPS model avoids these issues by determining the ‘community of benefit’ – in this case those wishing to establish, develop or manage libraries in any setting and specifically, but not exclusively, supporting the development of community libraries.]

**Advantages:**

- Wider membership means that Company Board could look for Directors with specific skills sets.
- Charitable status, with related tax advantages and funding/fundraising opportunities.

**Disadvantages:**

- Costs may be higher as the membership has to be wider than in the IPS model
- Membership more difficult to define as not based on the IPS “community of benefit”
- Quorums may be more difficult to achieve
- Not the same level of safeguards as the IPS model (FSA scrutiny, asset locks)

**Conclusion:** While this model has some merits, the IPS model is more simple and robust.

## **II) Charitable company by guarantee with non-participating membership**

**Description:** The company would be set up with a small ‘non-participating membership’, i.e. only those who serve as Directors are members and owners of the company. To become charitable, the company would have to register with Charity Commission, involving additional paperwork and higher accounting standards.

**Advantages:**

- Simple structure.
- Charitable status, with related tax advantages and funding/fundraising opportunities.

**Disadvantages:**

- Danger of effectively creating a Quango
- Appointments may be seen as less transparent; certainly community representation would not be as transparent.
- Company board might become distanced from the operation
- Community involvement and participation of beneficiaries require extra tasks and costs.

**Conclusion:** While this model is simple and does have charitable status, it is not as robust and does not meet as much the aspiration of community governance as the IPS model.

### **III) Community Interest Company (CIC)**

**Description:** A Community Interest Company (CIC) is a company that makes a commitment in its registration process to operate for a social purpose. It will have locked assets; meaning that any remaining assets are safeguarded for the community if the CIC is dissolved. A CIC is set up to trade. CICs cannot have charitable status, and there are no tax advantages for CICs.

**Advantages:**

- Asset lock; confirmed social purpose

**Disadvantages:**

- CIC's are set up to trade – but trading will not be a strong feature for the library service.
- Cannot have charitable status, no tax advantages.

**Conclusion:** Not an appropriate model for the library service (a CIC could be considered as a subsidiary of the IPS if the service was aiming to trade outside its charitable objectives.)

### **IV) Multi-Stakeholder Co-Operative**

**Description:** Large participating company membership, similar to the IPS taken forward in the Best Value Evaluation, but with several different membership categories. These could include library users, local library organisations, staff and others. Each membership category has defined level of control, reflected in board representation. All members would have to be invited at least once a year to an Annual General Meeting. This organisational form could either be incorporated as a Limited Company or an IPS.

**Advantages:**

- Could have highest level of “democratic” community ownership, including ownership of users.
- Can achieve charitable status
- FSA scrutiny, asset locks

**Disadvantages:**

- Potentially very large membership and multiple membership categories would make this model very complex and expensive to run
- Possibly very difficult to achieve quorum

**Conclusion:** Too complex and too expensive to run.

## 3.2 Procurement Statement

### **Suffolk County Council Wholly owned company**

EC procurement rules surrounding an outsourcing process do not need to be complied with under this scenario as the Head of Legal services confirms that the wholly owned company would meet the following conditions (known as the “Teckal Test”):

- Controlled by the awarding authority/authorities in a manner “similar to that which it exercises over its own departments” – structural control
- And at the same time
- It carries out the essential part of its activities “with the controlling authority or authorities – economic dependency

The Council will own and control the Company which means that when the company needs to procure goods and services in its own right, it is obliged to comply with the Public Procurement Regulations.

### **Independent social enterprise (IPS model)**

If the Council wishes to buy services from, or give grants to, the IPS or any other non-Council owned vehicle, then the arrangements will be subject to the general laws of competition and Best Value in addition to the specific Public Contracts Regulations.

Library Services are considered as ‘Part B’ services under those regulations which requires a limited application of the public contracts rules including, equal treatment, non-discrimination, transparency and the publication of an award notice. The Council is also required to ensure that the Duty of Best Value is delivered.

The Council has determined that the chosen solution will demonstrate best value through the involvement of communities in future service delivery. Against this background and following discussion with potential providers, it is considered that the current commercial market would be unable to demonstrate the immediate benefits of community involvement envisaged by the IPS model or the organic growth described in the Cabinet Paper. However there is a residual risk of a challenge that should be noted.

If contracts between the Council and the IPS or other non-Council owned vehicle are drafted appropriately, the County Council will remain the provider of the Statutory Service and the vehicle a simple contractor. The vehicle will thus not be directly subject to Procurement Regulations when making contracts/ arrangements with its providers for goods and services.

### **3.3 Community Governance Pilots - Overview**

The July 2011 Cabinet decided to invite a number of local communities to become pilots for testing out the model of community governance. Communities which represented different types of community organisation and different types of communities, and who had expressed an interest in running their local library, were contacted and invited to become part of the pilot. Work is continuing with them to support the development of their ideas and aspirations.

#### **Aldeburgh**

Community type: Coastal town with rural hinterland  
Expression of Interest submitted by: Aldeburgh Library Steering Group, supported by Town Council

The Expression of Interest includes options for development of the site to widen the impact and appeal across the community, by diversifying into a “knowledge hub” and providing more educational services. Developmental suggestions include making the building more flexible for the delivery of additional services.

#### **Bungay**

Community type: Smaller market town with a predominantly rural hinterland  
Expression of Interest submitted by: Bungay Community Library, an association incorporating the Town Council, local Parish Councils, community and business sector representatives

Interested in using the building in new ways to expand and enhance the service, with a number of ideas of how to generate additional income

#### **Eye/Stradbroke/Debenham**

Community type: A small market town and two Key Service Centres with rural hinterland  
Expression of Interest submitted by: A cluster group comprising representatives of all three libraries, including library staff

Options include making best use of property options available to provide the best service for all three local communities

#### **Ipswich Collective**

Community type: Urban/urban boundary cluster  
Incorporates Gainsborough, Chantry, Stoke, Rosehill, Westbourne and Ipswich Central libraries  
Expression of Interest submitted by: A staff collective from all the libraries, with involvement of friends groups from some of the libraries, with further

public contact sessions planned to engage with other sections of the community

### **Sudbury**

Community type: Single Market Town, urban and rural hinterland

Expression of Interest submitted by: Sudbury Town Council

The intention of the Expression of Interest is to take on full delegation of the library and combine some town services in the building to make some overall savings

### **Thurston**

Community type: Single rural parish, with library co-located on an upper school/Community College site

Expression of Interest submitted by: Thurston Library Working Group, comprising Parish Councillors, District Councillor, Thurston Community College and community members

Likely approach to delegated responsibility is at the minimum level, with a local management committee functioning in an advisory and fundraising capacity

### **Wickham Market**

Community type: Single larger Key Service Centre

Expression of Interest submitted by: Wickham Market Partnership, a charitable company limited by guarantee

Interested in running the library along with the Resource Centre, which is currently leased to them by SCC. Keen to incorporate trained volunteers in the service to support and expand the local operation, and the work of paid staff. The Council is especially interested in this model as it still sees paid staff as a core part of local delivery, but is also interested in how communities can broaden the appeal and the range of what's on offer with local volunteers.

### 3.4 Synopsis of Developments in England: what's happening elsewhere

Name of authority	Organisation running library/ies	Funding	Staffing	Co-location/shared services	Other services provided	Website
Luton Borough Council	Luton Culture	Registered charity	Mostly paid staff, but includes some volunteers	Delivers arts, library and museum services in Luton	Culture card provides access to discounts and offers on events	<a href="http://www.lutonculture.com/">http://www.lutonculture.com/</a>
Wigan Council	Wigan Leisure and Culture Trust	Registered charity	Paid staff –also includes executive board	Delivers arts, leisure and cultural services	Many healthy living activities and events, also linked to open spaces initiatives	<a href="http://www.wlct.org/">http://www.wlct.org/</a>
Richmondshire District Council	Hudswell Community Pub	Local people have invested in the project	Volunteers and bar staff	Village library included in pub which also provides a village shop	Venue is used for traditional pub pastimes as well as events and music	<a href="http://www.richmond.org/community/hudswellpub/">http://www.richmond.org/community/hudswellpub/</a>

<b>Name of authority</b>	<b>Organisation running library/ies</b>	<b>Funding</b>	<b>Staffing</b>	<b>Co-location/shared services</b>	<b>Other services provided</b>	<b>Website</b>
Buckinghamshire County Council	The Chalfont St Giles Community Library and Information Centre	Registered charity	Run entirely by volunteers	None	None	<a href="http://www.chalfontstgiles.org.uk/shops/CommunityLibrary.htm">http://www.chalfontstgiles.org.uk/shops/CommunityLibrary.htm</a>
Buckinghamshire County Council	Farnham Common Community Library	Registered charity	Run entirely by volunteers	None	None	<a href="http://www.buckscommunitylibraries.org/farnham-common/library-facilities">http://www.buckscommunitylibraries.org/farnham-common/library-facilities</a>
Buckinghamshire County Council	West Wickham Community Library	Run by committee, financed by fundraising	Run entirely by volunteers	None	Tea shop, knitting circle, family history, beauty treatments	<a href="http://www.westwycombelibrary.org.uk/index.htm">http://www.westwycombelibrary.org.uk/index.htm</a>
North Yorkshire County Council	Grassington Hub and Community Library	Community enterprise	Run entirely by volunteers	Library run as part of Hub	Hub also produces magazine of local events and interests	<a href="http://www.grassington.uk.com/hub/hub.htm">http://www.grassington.uk.com/hub/hub.htm</a>

<b>Name of authority</b>	<b>Organisation running library/ies</b>	<b>Funding</b>	<b>Staffing</b>	<b>Co-location/shared services</b>	<b>Other services provided</b>	<b>Website</b>
Cambridgeshire County Council	Bassingbourn Book Cafe	Funded by parish council, friends scheme and fund-raising	Run entirely by volunteers	None	None	<a href="http://www.bassingbourn.org/index.php?c=115">http://www.bassingbourn.org/index.php?c=115</a>
Oldham Borough Council	Delph Community Association	Some support from Oldham BC, Friends Scheme also provides funding	Run entirely by volunteers	None	None	<a href="http://www.delph.org.uk/6.html">http://www.delph.org.uk/6.html</a>
Dorset County Council	N/A	Financed by council	4 branches run by volunteers at set times during the week	None	None	<a href="http://www.dorsetforyou.com/386745">http://www.dorsetforyou.com/386745</a>

<b>Name of authority</b>	<b>Organisation running library/ies</b>	<b>Funding</b>	<b>Staffing</b>	<b>Co-location/shared services</b>	<b>Other services provided</b>	<b>Website</b>
Hackney Council	Woodberry Down Community Library	Single Regeneration Funding used for initial set up, plus annual income of match funding	Run entirely by volunteers	None	None	<a href="http://www.librarylondon.org/VolunteerLibrary.htm">http://www.librarylondon.org/VolunteerLibrary.htm</a>
London Borough of Lewisham	Eco Computer Systems running or planning to run 5 of the libraries in the borough	Social enterprise	Eco System staff and volunteers supported by library staff	Computer recycling	Possible computer training, reminiscence centre, training centre, cafe	<a href="http://www.lewisham.gov.uk/myservices/libraries/branches/Pages/Community-library-service.aspx">http://www.lewisham.gov.uk/myservices/libraries/branches/Pages/Community-library-service.aspx</a>
Kirklees Council	Fresh Horizons Ltd – Chestnut Library and Information Centre	Social enterprise	Local people employed by Fresh Horizons	Community café, training for construction workers	Credit union and cash machine with no charge for withdrawals	<a href="http://www.freshhorizons.org.uk/?page_id=82">http://www.freshhorizons.org.uk/?page_id=82</a>

## 3.5 Case Study: Chalfont St Giles Community Library

### **Running a small public library with volunteers**

*The library has had a number of enquiries from communities across the UK whose libraries are under threat of closure.*

*As an introduction - here is a clip about the library from the BBC One Show 24 May 2010:*

<http://www.youtube.com/watch?v=y3dV49VLzNk>

*Since this clip was broadcast and as explained below the Council has revised its policy and the Council does now provide some support to the library.*

*Tony Hoare, Chairman of Chalfont St Giles Community Library, describes the experience of our small library. July 2011*

### **Background**

In November 2006 Buckinghamshire County Council closed eight small public libraries including the county library in Chalfont St Giles. The County provided the affected communities with an alternative mobile library service. Our village was strongly against the library's closure. After a fairly meaningless consultation process we (the 'Friends of the Library') were told by the County that we could run a library from the existing building and use the county library computer system but this would have to be done at 'no cost to the Council'. We would have to pay for everything including renting and running the building, leasing IT equipment and hiring county stock.

We consulted our local community, including the Parish Council, and with their support we decided to take up the challenge. We opened as a self-managed Community Library in January 2007.

Two other Buckinghamshire communities, Little Chalfont and West Wycombe also followed the same path.

In 2010 the County revised its policy. The little used mobile library was redeployed and the County now provides some support for the Community Library. Support includes an annual grant, free provision of IT, a small amount of book stock and volunteer training. The library is now included in the County's inter-library delivery network. The new arrangement covers over half of the library's annual running costs which means that local effort can focus on running and developing the library rather than constantly having to fundraise to exist.

In 2010 the Chalfont St Giles Parish Council purchased the freehold of the library building from the County. We now pay a nominal rent to the Parish.

### **How does it work?**

Residents use the Community Library in the same way and on the same lending terms as any County library. We use the county library system and

along with the rest of the County we are now linked into a wider library network so our users have online reservation access to over 6 million books in over 200 libraries across the South East. Stock can be borrowed and returned across the County network including the Community Library.

We are a 100% volunteer organisation - all unpaid. At an organisational level running the library is similar to running a small business; you need individuals with some skills for example general management, financial, marketing and fundraising skills are all useful. The organisation also needs access to the necessary expertise to handle the relevant legal issues including data protection and safeguarding.

Operationally we have around 50 volunteers mostly retired people but not exclusively so. Our volunteers come from all walks of life. Ex-librarians are of course a real bonus! We operate with two volunteers on duty in the library at any one time and typically each volunteer serves in the library for half a day once a fortnight. The County provides some initial library system training. We also hold update training sessions.

We have been very fortunate with our volunteers and have not found it difficult to recruit them. I think this is because people like small village libraries. It's quite a sociable and pleasant experience to work in one. Our volunteers have proved reliable and we have had minimal volunteer turnover.

Most of our books are donated by local residents. We buy a good number of new books for both adults and children. Some more specialist books come from the County e.g. large print. We cover the full stock range, fiction, non-fiction and children's. We also have some children's DVDs. We are careful in our selection process to ensure we have a balanced stock selection.

When we started we linked up with the volunteer run visitor information service in the village and this service is now provided from the library.

We also provide two computers with internet access for public use - the only public internet access in the village.

Core funding now comes from a County grant, some 250 local residents who are 'Friends of the Library' and the library till (late fees, DVD hire charges etc.). Further fundraising activities are carried out as required. Over the last four years we have raised money from author talks, quiz nights, a small lottery and garden open days. From 2007-9 we received an annual grant from the Parish Council. Grants have also been received from the District Council and local businesses.

The Community Library is a registered charity. This brings some financial benefits in particular a saving on business rates and the ability to claim gift aid on resident's cash donations. It also opens up the possibility of applying for grants.

## **What has been achieved?**

We have increased the library's opening hours from the 20 hours per week of the old County Library to 30.5 hours per week. The library is now open lunch times and Saturday afternoons.

We have increased the book stock by 50% and we think improved the stock quality through tailoring it to local needs.

The library's lending has increased in each of the last four years and our book lending is now just ahead of the level of the old county library.

Incorporating the resident and visitor information service into the library has ensured more efficient use of volunteers and buildings.

The library building has been improved with new windows, a new porch and some interior refurbishment.

We are making more use of the library building - we aim to use the library to maximum effect in the service of the village. We run story times for pre-school children every week. We have a close relationship with the nursery and primary schools in the village. We run events for children during the school holidays and the national 'Summer Reading Challenge' each year. We use the library for surgeries e.g. our MP, Councillors, Adult Social Carers and also for other events like coffee mornings.

Retaining the library helps ensure that the village remains a good place to live and adds to the footfall in the centre of the village which in turn helps the local shops.

The process of running the library locally has been enjoyable and I think has enhanced our village community. Support from all parts of the village has been terrific.

From the County's perspective - through supporting the Community Library - they are able to deliver the statutory library service into a smaller community in a most cost effective way. The Community Library costs less than a third of the cost of the old County library.

## **Conclusions**

Whilst a well-funded traditional paid staff library is likely to be the best option for any community, our experience indicates that there are opportunities to give small libraries a new lease of life whilst saving money.

The model that we have followed in Chalfont St Giles is not universally applicable. Our library is small with light to moderate use. Buckinghamshire is a relatively prosperous county with a sufficient pool of people with the time

and skills to operate the local library. Trying to follow the same model in a busy town library in a deprived area would I think be unlikely to succeed.

Nevertheless the overriding requirement for a successful volunteer small library is in my view a strong local community with a desire to keep the local library open. It can be done!

## Section 4 - Evaluation

Evaluation of community governance framework  
 Evaluation of the structural delivery models

- Best Value – SWOT analysis of the structural models
- Best Value Comparative Table (please see Appendix)
- Summary Evaluation Score

### 4.1 Evaluation of Community Governance Framework

All three models include, through the commissioning strategy, an aspiration for local governance of libraries. The menu of delegated responsibilities sets out a number of options for how this could be applied in practical terms. A SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis and the Best Value test criteria have been applied to the community governance model in order to identify risks and opportunities which will have relevance for all three options.

Given that the range of options for community governances is still to be fully tested, the evaluation of the community governance approach can only be more generally evaluated.

The overall picture is that the community governance proposals will result in many new risks as well as new opportunities for the library service.

#### SWOT Analysis of Community Governance

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Communities are empowered to run their local libraries</li> <li>• Improved relationship between communities and library service</li> <li>• If local library organisations are charitable, they can gain/retain tax advantages (business rates)</li> <li>• Being closer to the community and customer – more attuned and adaptable to wishes and needs</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Meeting statutory duty and aspirations of the library service dependent on quality and detail of the contractual arrangements with local library organisations</li> <li>• Lack of direct democratic mandate for local library organisations (unless part of parish/town councils)</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Potential to reduce property running costs (e.g. cleaning,</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Reliance on availability of volunteers to govern local</li> </ul>

<p>maintenance contracts)</p> <ul style="list-style-type: none"> <li>• Fundraising, access to different grants</li> <li>• Alternative income streams (e.g. solar panels, voluntary subscription schemes)</li> <li>• More scope to do things differently than currently</li> <li>• Increased opportunities to attract volunteers</li> </ul>	<p>libraries</p> <ul style="list-style-type: none"> <li>• The central enabling service may, due to reduced staffing levels, not be able to sufficiently monitor performance – highly dependent on quality assurance framework</li> <li>• Cash flow and liability risks if there are insufficient reserves available</li> <li>• Should the local library organisation fail, the County Council and the library enabling service would have to pick up services. There would be a negative impact in cost and reputation terms and a potential risk to service delivery.</li> <li>• Required 5% savings/ funds raised may not be achieved, requiring reductions in service levels</li> <li>• Many different organisational cultures within the library service may result in fragmentation</li> </ul>
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### **Best Value tests of Community Governance**

The Community Governance model has been evaluated against the Best Value tests and associated criteria, as introduced the Best value Criteria section of the report.

#### **Statutory test**

Statutory obligations would be set up contractually as part of the grant payment.

Risks:

- 1) Inexperience of County Council/ library service staff in putting this kind of contract together
- 2) Insufficient staff capacity in central library enabling service to check that quality and service standards are maintained.

#### **Finance test**

Given the breadth of possibilities for community governance, no detailed figures could be put together. The financial modelling assumes that all local libraries will need to meet the gap created by a reduction of 5% in the budget received from the enabling service. Local library organisations are expected to make up for this reduction through a range of opportunities in cost savings and income generation, including:

- Reducing property running costs (e.g. local cleaning and other maintenance contractors)
- Fund raising – e.g. through local community events and activities

- Better user of buildings - sharing space with other organisations/services
- Alternative income streams (e.g. Feed in Tariffs from solar panels, voluntary subscription schemes)

There is a risk that this 5% saving cannot be achieved – in particular for libraries where communities have not taken on the governance and thus cannot reap the benefits of above savings and/or income generation opportunities. This may result in a reduction in services for those libraries.

However, the opportunity is that more money can be saved and/or generated, which may be available for enhancing the local library service, and/or help to further reduce the Council's budget obligations.

### **Aspirations test**

Customer expectations/needs:

- Basic service offer will be defined contractually
- Being closer to the community and customers gives the opportunity to be more attuned and adaptable to the wishes and needs of local people, e.g. with regards to opening hours or designing the library as a place for local people to meet.
- There is a risk around monitoring quality through the quality assurance framework if there are many independent local library organisations. There would be more limited face-to-face opportunities for quality assurance, thus making it largely dependent on the quality assurance framework.

Governance:

- The approach is focussed on community governance of local libraries.
- There is a risk around what mandate local groups have to take on the running of a library - how is it decided that they represent the local community? Unless the organisation taking on the local library is a town or parish council, the group may not have a democratic mandate.
- The approach is based on a genuine devolution of responsibilities to local communities. This has the scope to change and improve the relationship between the library service and local communities as partners.

Integration with other services:

- With local libraries being run by local community organisations, the approach may provide new opportunities to review the location of libraries, and co-location with other local services.

Corporate priorities:

- The County Council will only have contractual influence on the operations of the libraries run by local organisations. As a result, any activities the Council wishes a local library service to deliver to meet corporate priorities would have to be included in the grant agreement or funded separately through a project budget
- It may be seen as an opportunity that local libraries would not be distracted by any changes in the corporate priorities of the Council.

Innovation:

- Being closer to the community and customers, together with easier decision making for the local library, may offer more scope to do things differently, and the opportunity to integrate local activities and priorities within the local library service.
- Many local organisations running local libraries may result in a plethora of different organisational cultures within the library service, which the central enabling service may have limited scope to influence. This could be seen as an opportunity to promote innovation, but also as a risk to the coherent delivery of the library service throughout Suffolk, and to an efficient central co-ordination of libraries.
- Local organisations are likely to have greater opportunities to attract volunteers to support service delivery and offer new activities.

**Sustainability test**

- If there is no plan for the County Council to provide access to budgetary reserves, there is a significant risk for failure of local ventures, based on cashflow and unexpected expenditure issues – unless the local organisation is backed by an organisation such as a parish/town council.
- Potential lack of entrepreneurial/ business skills - but on the flipside opportunity to gain these skills to the local library service if volunteers engaged in the local governance can offer them.
- Reliance on volunteers to govern local libraries may pose a risk on the efficiency of governance – but may be an opportunity to get libraries governed by a wide and more representative range of community users.

**4.2 Best Value – SWOT analysis of the structural models**

The Best Value Evaluation of Structural Models includes firstly a SWOT analysis for each of the three models. The advantage of a SWOT (Strengths - Weaknesses - Opportunities - Threats) approach is that it enables a rounded picture to be formed of the balance of positive and negative features of each model independently of the others. Then all three models have been assessed against the Best Value test criteria (as defined under chapter “Evaluating the evidence”), in a large comparative table, and each criteria has been rated and scored. Finally a Summary provides commentary on the three structural models.

**Option 1: In-House model**

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• SCC remains directly in charge of library service – thus has direct control of meeting statutory duty</li> <li>• Excellent reputation of current service</li> <li>• Democratic mandate</li> <li>• Known and proven service</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Subject to SCC overheads – unable to look for cheaper alternatives</li> <li>• Community control over local library services only and no direct input to the central enabling service</li> </ul>
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<p>delivery model</p> <ul style="list-style-type: none"> <li>Capacity queries may be mitigated by drawing support from the wider corporate body of SCC</li> </ul>	<ul style="list-style-type: none"> <li>“top-down” management may perpetuate a “one size fits all” service</li> <li>Cultural change subject to SCC corporate culture – thus slower, and potentially limits staff ownership/ innovation</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Easier access to SCC corporate functions to support service</li> <li>SCC able to step in if reduced staffing levels result in a threat to quality of service, or to manage unexpected issues.</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Less potential for baseline savings and new income may mean that saving targets cannot be achieved without service levels being reduced</li> <li>excellent in-house service reputation could be damaged if the quality of service reduces</li> </ul>

**Option 2: Wholly Owned Company**

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>Governance arrangements will be SCC – controlled.</li> <li>SCC can quickly and directly intervene to change Board Directors or close down company if company does not meet expectations</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>No strong community control over enabling service (but some could be build in through the design of the Board membership)</li> <li>No tax advantages</li> <li>Meeting statutory duty and aspirations dependent on quality and detail of the contractual arrangements</li> <li>Queries over the capacity to manage all the proposed functions plus the functions to run a business, and to offer resilience to manage annual leave and staff absence with limited corporate backing from SCC.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>New income opportunities from trading, although the value of this may be limited</li> <li>Change of organisational culture to more staff engagement and ownership in the work may lead to higher efficiency of staff and increased innovation</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Reduced staffing levels may result in organisation failing to maintain standards</li> <li>Potentially lower morale, higher sickness absence and higher staff turnover as a result of significantly change in organisational structure</li> <li>SCC may not be able to sufficiently monitor performance, due to reduced staffing levels</li> <li>Success of model depends on</li> </ul>

	<p>quality of leadership / calibre of management team and ability to secure new commercial and entrepreneurial skills. The ability to offer appropriate levels of remuneration for senior staff will be critical, as there will be less access to SCC expertise.</p> <ul style="list-style-type: none"> <li>• Cash flow and liability risks if there are insufficient reserves available.</li> <li>• Should the Company fail, SCC would have to pick up services and disentangle contracts/ Service Level Agreements with local library organisations leading to a negative impact in cost and reputation terms and a potential risk to service delivery.</li> </ul>
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### Option 3: IPS

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Lowest cost option</li> <li>• As a charity, the service would benefit from business rate relief</li> <li>• Additional governance and regulation by Financial Services Authority provides ext assurance of probity</li> <li>• Automatic asset lock protects valuable publicly purchased assets</li> <li>• Meets localism aspirations - putting communities in charge of running the library enabling service through the one member one vote principle</li> <li>• Provides additional incentive for local organisations to take on library services</li> <li>• Local library organisations have a direct influence on the IPS</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• No direct democratic mandate from the public, other than through contractual relationship with SCC</li> <li>• Meeting statutory duty and aspirations dependent on quality and detail of the contractual arrangements</li> <li>• The benefits of member ownership will not be fully realised if there is limited success in developing local governance arrangements.</li> <li>• Queries over the capacity to manage all the proposed functions plus the functions to run a business, and to offer resilience to manage annual leave and staff absence with limited corporate backing from SCC</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• New income opportunities eg: trading, selling library enabling services to non-funded libraries – though the value of these may be limited</li> <li>• Better opportunities for fundraising and grant funding as a charitable organisation</li> <li>• Change of organisational culture to</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• The government’s review of business rates could lead to the financial advantage of business rate relief being reduced/ eliminated</li> <li>• Potential low morale, higher sickness absence and higher staff turnover as a result of significant organisational change.</li> </ul>

<sup>7</sup> Sandwell Cares Trust reduced employee sickness from 16 days to less than 1 day a year per employee

<p>more staff engagement and ownership in the work may lead to higher efficiency of staff and increased innovation</p> <ul style="list-style-type: none"> <li>• Reducing back office costs through option to secure support from alternative suppliers</li> <li>• Charitable status of the IPS may attract higher number of volunteers</li> <li>• Much more scope for innovation – from IPS members (i.e. local library organisations) and staff</li> <li>• Higher staff morale and lower sickness absence as a result of reductions in management tiers and consequently more control at local level <sup>7</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Success of model depends on quality of leadership / calibre of management team and ability to secure new commercial and entrepreneurial skills. The ability to offer appropriate levels of remuneration for senior staff will be critical.</li> <li>• Cash flow and liability risks if insufficient reserves are available</li> <li>• Relies on local library organisations running the IPS in an effective way – reliance on volunteers to steer company</li> <li>• Legal challenge for providing funding for IPS without going through procurement</li> <li>• Company may fail, and SCC would have to pick up services and disentangle contracts/ SLAs with local library organisations which may be more complex with a member-owned organisation</li> </ul>
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### Summary

The future of the library service in Suffolk is a matter of as much deep concern to the current users of the service (as evidenced by the response to the consultation in the early part of 2011), as it is to the County Council who must find ways of meeting its statutory duties at a time of significant reduction in the resources available. The need to identify alternatives to the way the library service can be delivered going forward is therefore of mutual concern and one which may best be resolved through a partnership approach.

In July 2011, the Library Review proposed an Access Model which sets out **where** library services should be delivered to meet the needs of communities across this large rural County, identifying key centres which provide alignment with other public and retail service provision and are supported by transport infrastructure. A new Vision statement was also proposed which describes **what** functions the library service offers above and beyond the traditional lending and information services. Both were approved by Cabinet and Full Council.

Determining **how** best to deliver the library service going forward is the remaining question. Being part of the County Council confers a number of advantages to any service, but services may also be burdened by significant corporate overheads as a consequence.

In the past decade or so, a number of services traditionally provided by local authorities have been transferred to the private or voluntary sectors, usually through some sort of contractual agreement. In these situations, the Council

becomes the commissioner of services and stimulates the market to offer alternative services with the aim of both lowering the cost and becoming more responsive to meeting the varied needs of the community. As commissioner, the Council retains accountability for any statutory obligations, and for monitoring the quality and service standards of the service provider.

Commissioning library services from alternative providers is not yet common in England. Most library services are run directly by the local authority. However, new models are emerging. For example, a number of Trusts – often running Arts and Cultural services as well as the library service – have been set up in the last few years. National coverage of volunteer-run library services might suggest these are now common, but in fact they are still the exception, and where they exist, they tend to be a relatively small part of the whole delivery. There are a few examples where one local authority service provides a traded service with another (Essex and Slough), and although private sector companies running public library services exist in other parts of the world - notably America - these have yet to become commonplace in the UK. Suffolk is therefore entering largely uncharted territory, with very few actual alternative models to use for comparison which have been tried and tested over a period of time.

Three options for alternative delivery models have been considered in this best value evaluation – an in-house business unit, a County Council wholly owned company, and a social enterprise (Industrial and Provident Society).

Although a key test has been an assessment of the likelihood of the options being able to reduce costs, and thus being more likely to sustain the library network in Suffolk, other important test criteria have been applied developed from the Access Model and Vision for the library service. Together, these tests form the basis for the best value evaluation, seeking to identify the option which satisfies best both the cost and quality criteria.

The best value tests and SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis provide a detailed assessment of the relative advantages and disadvantages of each option, based on the theoretical modelling available. This section summarises the key issues arising from these analyses.

### ***The cost challenge***

The financial model considers both the set-up costs and the annual running costs:

### Headline financial assessment

	In-house	Wholly owned	IPS
<b>Anticipated annual running costs of the options</b>	£7.04m	£7.05m	£6.48m
<b>Reduction against current library budget</b>	21.4% (+/- 1.5% for best and worst case scenarios)	21.3% (+/- 2% for best and worst case scenarios)	27.6% (+/- 2.8% for best and worst case scenarios)
<b>Anticipated set-up and transition costs</b>	£0.36m	£0.49m	£0.65m

The table shows that the Industrial and Provident Society (IPS) is predicted to offer the greatest opportunity for reduced costs, although the higher confidence rating indicates a greater level of uncertainty. At best the IPS may be able to make savings of just over 30%, but even applying a more cautious approach, this option is likely to be cheaper than either of the other two options. Set-up costs are higher for the IPS but these are one-off payments.

#### ***The basis for savings***

Costs are calculated for all options based on a reference model for future library services which predicts savings achieved through having a significantly leaner central team to manage and run the service and through taking advantage of technological advances. Both assumptions carry some risk:

- If the central team is reduced by 50%, as the reference model proposes, there will be a loss not just of capacity but also in the availability of experienced and professionally-qualified staff. The need to secure relevant business and entrepreneurial skills may reduce the number of staff with professional library qualifications further. It is reasonable to query whether an organisation with a dispersed delivery base and hundreds of paid employees and volunteer staff would be sufficiently served by such a lean central team. To take one example: it has become clear from the early work with the pilot groups that empowering local communities to run services will require significant and sustained support from the new organisation's central service, so careful thought must be given to the skills and size of the central unit to ensure it has both the capacity and resilience to manage demand.
- Technological advances for streamlining book supply and distribution are planned to deliver significant savings. Should these not materialise, or take longer to deliver, there may be a risk to other elements of the service.

However, both of these risks apply across all three options and are noted as they are important issues which must be considered by the chosen delivery option.

The choice of delivery option could however be significant in creating the best opportunities for making savings and reducing costs beyond these two strategies. The in-house business unit and the County Council wholly owned company have less opportunity in this respect than the IPS model. The IPS option would have significant tax advantages from its charitable status - it would attract business rate relief (NNDR), could still take advantage of public/charitable status discounts for IT licenses, and may also be able to apply for other sources of funding not open to local authorities. Importantly, it would have the opportunity to secure infrastructure services (finance, HR and possibly ICT) at a lower cost than the other options, as it would not have to contribute to the full corporate overheads of the County Council.

In contrast, the in-house business unit and the County Council wholly owned company may have to remain tied into contributing to corporate overheads which they can have little direct influence in reducing. Although the County Council is striving to reduce overheads for all services, the risk would remain that if corporate savings take longer to deliver than expected, there could be reductions in library opening hours as one of the few direct ways to deliver savings quickly.

### ***Access and Service Quality***

The importance of the network of libraries across the County is that it provides access to services close to where people live, especially for children, young people and the elderly. This important aspect of the library service is enshrined in the Vision and the Access Model, and is embedded in the Commissioning Strategy. The standards required for the service are outlined in the associated performance framework. In this respect, these elements of the best value test apply principally to the County Council's own skill and experience in developing appropriate contractual arrangements and an assessment of capacity to monitor delivery.

For the in-house option, there are well tested procedures for audit, scrutiny and performance monitoring using the wider resources of the County Council alongside the internal management processes. Being retained as part of the Council provides the service with ready access to other professional expertise when it is required, without incurring a direct charge to its budget. The public is clear about the relationship between the Council and the service and there was significant support for retaining the service in-house during the consultation. This option therefore represents the least risk in maintaining service delivery.

For the two external options, there would be incentives to look for ways to improve service quality built into the contract, and more freedom to innovate through securing business skills on the Board and, for the IPS in particular, the active engagement of local communities on the Board. Direct

performance management would be the responsibility of the delivery organisation, and the County Council would retain control via contract monitoring.

Achieving the right balance between a service agreement which provides assurance and controls and one which does not unduly constrain innovation will be the key task, and one where there is some risk as there is no precedent to follow.

Achieving the benefits that both external options have the potential for will be highly dependent on the expertise that they can secure at Board level and in developing productive partnerships with local library organisations. The IPS, as a member-led organisation, offers the more direct opportunity for community involvement and partnership working. This option presents a truly innovative and exciting approach to library services which would be ground-breaking in many respects.

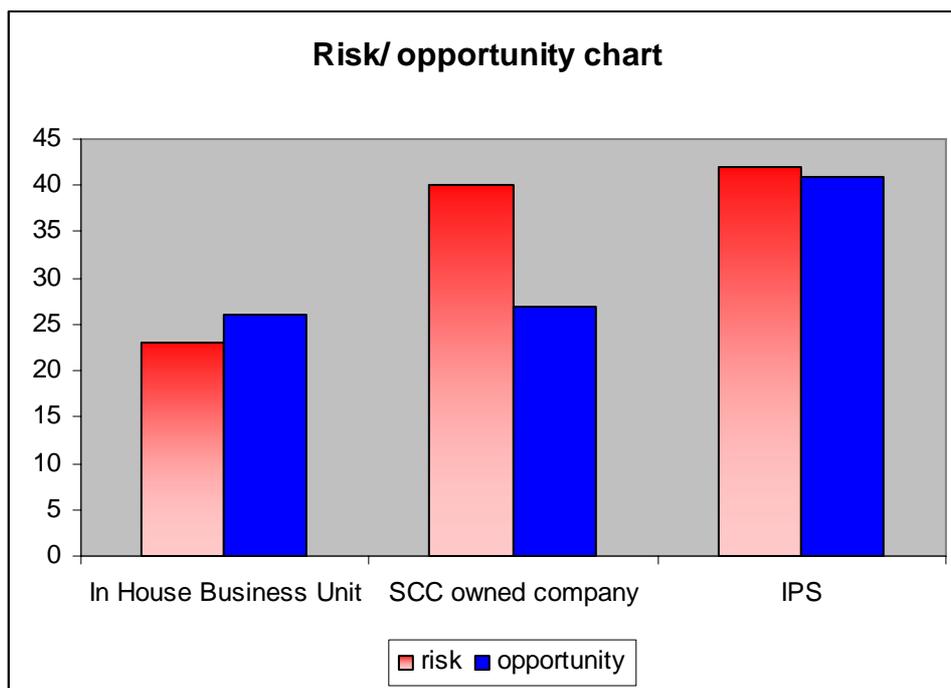
### ***Community Governance***

Suffolk County Council aspires to empower local people to have a real say in running community services. Services based in communities can then be tailored to local need. For libraries, this will require the formation of local library organisations that will agree what aspects of the local service they wish to take responsibility for. There will be useful learning from the pilot libraries in due course on what organisational forms are most appropriate and in sharing a bank of good ideas that others may wish to use. The success of local library organisations will be critical in sustaining or expanding library provision through, for example, identifying cheaper local alternatives to some services, fundraising and income generation activities.

It is on this community governance test that the differences between the options are most apparent. Although in all options there will be a need to support the development of community governance, the IPS model offers the most opportunity to hand over responsibility to the community as only in this model would the local library organisations be in control of the Board. This option is the most creative and innovative model under consideration, but as a relatively unknown model it carries a higher level of risk as communities and staff will be learning together - there are no existing library services run in this way. However, there are reputable advisory organisations for social enterprises which could be approached for support for the IPS in its initial phase.

### ***Risks and opportunities***

The evaluation process generated a scored matrix to help identify the differences between the options. The chart below uses the scores to illustrate the balance between risk and opportunity offered by each structural delivery option.



For the County Council wholly owned company, the risks are significantly higher than the opportunities. This option scores low on opportunity because, as a private company, it can offer no tax advantages, and there would be limited trading opportunities to boost income. Based on this analysis, the County Council wholly owned company option should be rejected.

For the in-house business unit and the IPS, there is a relatively equal balance between the risks posed and the opportunities offered.

The in-house business unit offers a safe option – it would pose little disruption to the service and would retain the direct access to the County Council’s support functions. However, the ‘cost’ of this ready access is limited opportunity to work with communities to secure an independent future for the whole library network. Without sufficient savings from planned efficiencies, it is likely that – as has happened in a number of local authorities - opening hours would have to be cut or libraries closed.

The IPS is the most interesting and attractive option offering the highest potential for both cost reduction and for genuine community governance. This option has the best chance of retaining the current library network, although as a leading-edge solution it is also rated as carrying more risk: there is least known about how this option could work in practice. Should the IPS fail, services would need to be brought back into the County Council. It is innovative in its approach to delivering library services and would need to build on the widespread support in communities that was so vividly expressed during the public consultation.

Both the in-house business unit and the IPS could be viable options. Deciding factors are likely to be the risk appetite of the County Council and the level of commitment to community governance.

### 4.3 BEST VALUE TEST COMPARATIVE TABLE: Please see Appendix.

This analysis takes the Best Value test criteria (as defined under chapter “Evaluating the evidence”) and compares each of the models against each criteria and against each other. This methodology assesses how each model offers the opportunity to meet the standards required, together with an assessment of any associated risks. By presenting the text for each structural option in adjacent columns, the reader can compare each test criteria in detail. Risks and opportunities are rated as being High, Medium or Low. Where there is neither risk nor opportunity the rating is left as not applicable (N/A).

The first table below provides a summary of all the evaluation ratings (High, Medium, Low, Not applicable). For the full comparative table, with comprehensive commentary on each criteria, please see Appendix.

#### RATING

	<b>In-house</b>	<b>Wholly owned</b>	<b>IPS</b>			
Anticipated annual running costs of the model	<b>£7.04m</b>	<b>7.05m</b>	<b>£6.48m</b>			
Anticipated set-up and transition costs	<b>£0.36m</b>	<b>£0.49m</b>	<b>£0.65m</b>			

	<b>In-house</b>	<b>Wholly owned</b>	<b>IPS</b>	<b>In-house</b>	<b>Wholly owned</b>	<b>IPS</b>
	<b>Risk</b>	<b>Risks</b>	<b>Risks</b>	<b>Opps</b>	<b>Opps</b>	<b>Opps</b>
<b>1. Statutory test: Will the County Council be able to meet with this option its statutory obligations?</b>						
a. Can a secure mechanism be established to set up and maintain service standards?	N/A	MEDIUM	MEDIUM	N/A	N/A	N/A
b. Can the statutory duty to maintain a whole network of libraries be met?	N/A	LOW	LOW	N/A	N/A	N/A

	In-house	Wholly owned	IPS	In-house	Wholly owned	IPS
	Risk	Risks	Risks	Opps	Opps	Opps
<b>2. Financial test</b>						
How likely is it that the modelled savings will be achieved or surpassed?	LOW	LOW	MEDIUM	LOW	MEDIUM	MEDIUM
Income generation potential	N/A	N/A	N/A	LOW	MEDIUM	HIGH
<b>3. Aspirations test</b>						
<b>a. Meeting customer expectations/needs</b>						
a.1 What will be the customer reputation?	LOW	HIGH	MEDIUM	HIGH	LOW	MEDIUM
a.2 Will the quality assurance framework be able to ensure quality?	LOW	MEDIUM	MEDIUM	N/A	N/A	N/A
a.3 Will option allow for the current network to be maintained and expanded?	MEDIUM	MEDIUM	MEDIUM	LOW	LOW	MEDIUM
a.4 Will option maintain/improve libraries as a place to meet?	N/A	N/A	N/A	N/A	N/A	N/A
a.5 Will option maintain or improve opening hours?	N/A	N/A	N/A	N/A	N/A	N/A
a.6 Will option continue to provide qualified/trained staff in the library service?	LOW	MEDIUM	MEDIUM	N/A	N/A	N/A
a.7 Will option provide the same degree of access to central stock?	N/A	N/A	N/A	N/A	N/A	N/A
<b>b. Enhancing governance for this service – vision: stronger community governance</b>						
b.1 How will option deliver the Council's aspiration for local governance?	LOW	LOW	MEDIUM	LOW	LOW	HIGH

	In-house	Wholly owned	IPS	In-house	Wholly owned	IPS
	Risk	Risks	Risks	Opps	Opps	Opps
b.2 What scope does option have to accommodate the different levels of delegated responsibilities for local library organisations?	LOW	MEDIUM	LOW	MEDIUM	LOW	HIGH
b.3 To what extent does the library service remain democratically accountable/ has a democratic mandate?	N/A	MEDIUM	HIGH	HIGH	LOW	N/A
<b>c. Opportunity for integration with other services</b>						
c.1 Will the option promote re-consideration of where local libraries are delivered - e.g. move to different building?	N/A	N/A	N/A	LOW	LOW	LOW
c.2 Will the option promote co-location of other public/third sector services?	N/A	N/A	N/A	LOW	LOW	LOW
<b>d. Meeting Suffolk County Council corporate priorities</b>						
Is there an effective mechanism for library service to support County Council priorities?	LOW	MEDIUM	MEDIUM	MEDIUM	MEDIUM	MEDIUM
<b>e. Scope for innovation - is the model more likely to foster innovation within the service?</b>						
e.1 What scope is there for cultural change within the library service?	MEDIUM	LOW	LOW	LOW	MEDIUM	HIGH
e.2 How can the service increase staff engagement/ownership?	LOW	MEDIUM	MEDIUM	LOW	MEDIUM	HIGH
e.3 Is there capacity and drive for flexible service expansion?	HIGH	MEDIUM	LOW	LOW	MEDIUM	HIGH
<b>4. Partnership working test</b>						

	In-house	Wholly owned	IPS	In-house	Wholly owned	IPS
	Risk	Risks	Risks	Opps	Opps	Opps
Will the model strengthen partnership working between the library service and communities?	MEDIUM	HIGH	MEDIUM	MEDIUM	LOW	HIGH
<b>5. Sustainability and risk test</b>						
a. Will the new vehicle be sustainable?	LOW	HIGH	HIGH	MEDIUM	MEDIUM	MEDIUM
b. What is the impact for the County Council if the business fails?	LOW	MEDIUM	HIGH	N/A	N/A	N/A
c. Risks related to legal challenges that services will not be tendered	N/A	N/A	LOW	N/A	N/A	N/A
d. What risks related to the quality of delivery might occur?	MEDIUM	HIGH	HIGH	LOW	MEDIUM	HIGH
e. What is the level of risks related to possible lack of commercial and entrepreneurial skills required to make option work?	LOW	HIGH	HIGH	LOW	MEDIUM	MEDIUM
f. To what extent could the model lead to a differentiation of service levels in different parts of county / "post code lottery"?	LOW	LOW	MEDIUM	LOW	LOW	HIGH

#### 4.4 SUMMARY EVALUATION SCORE

	In-house	Wholly owned	IPS	In-house	Wholly owned	IPS
	Risk	Risks	Risks	Opps	Opps	Opps
<b>1. Statutory test:</b>						
<b>Will the County Council be able to meet with this option its statutory obligations?</b>						
a. Can a secure mechanism be established to set up and maintain service standards?	0	2	2	0	0	0
b. Can the statutory duty to maintain a whole network of libraries be met?	0	1	1	0	0	0
<b>2. Financial test</b>						
How likely is it that the modelled savings will be achieved or surpassed?	1	1	2	1	2	2
Income generation potential	0	0	0	1	2	3
<b>3. Aspirations test</b>						
<b>a. Meeting customer expectations/needs</b>						
a.1 What will be the customer reputation?	1	3	2	3	1	2
a.2 Will the quality assurance framework be able to ensure quality?	1	2	2	0	0	0
a.3 Will option allow for the current network to be maintained and expanded?	2	2	2	1	1	2
a.4 Will option maintain/improve libraries as a place to meet?	0	0	0	0	0	0

	In-house	Wholly owned	IPS	In-house	Wholly owned	IPS
	Risk	Risks	Risks	Opps	Opps	Opps
a.5 Will option maintain or improve opening hours?	0	0	0	0	0	0
a.6 Will option continue to provide qualified/trained staff in the library service?	1	2	2	0	0	0
a.7 Will option provide the same degree of access to central stock?	0	0	0	0	0	0
<b>b. Enhancing governance for this service – vision: stronger community governance</b>						
b.1 How will option deliver the Council's aspiration for local governance?	1	1	2	1	1	3
b.2 What scope does option have to accommodate the different levels of delegated responsibilities for local library organisations?	1	2	1	2	1	3
b.3 To what extent does the library service remain democratically accountable/ has a democratic mandate?	0	2	3	3	1	0
<b>c. Opportunity for integration with other services</b>						
c.1 Will the option promote re-consideration of where local libraries are delivered - e.g. move to different building?	0	0	0	1	1	1
c.2 Will the option promote co-location of other public/third sector services?	0	0	0	1	1	1
<b>d. Meeting Suffolk County Council corporate priorities</b>						

	In-house	Wholly owned	IPS	In-house	Wholly owned	IPS
	Risk	Risks	Risks	Opps	Opps	Opps
Is there an effective mechanism for library service to support County Council priorities?	1	2	2	2	2	2
<b>e. Scope for innovation - is the model more likely to foster innovation within the service?</b>						
e.1 What scope is there for cultural change within the library service?	2	1	1	1	2	3
e.2 How can the service increase staff engagement/ownership?	1	2	2	1	2	3
e.3 Is there capacity and drive for flexible service expansion?	3	2	1	1	2	3
<b>4. Partnership working test</b>						
Will the model strengthen partnership working between the library service and communities?	2	3	2	2	1	3
<b>5. Sustainability and risk test</b>						
a. Will the new vehicle be sustainable?	1	3	3	2	2	2
b. What is the impact for the County Council if the business fails?	1	2	3	0	0	0
c. Risks related to legal challenges that services will not be tendered	0	0	1	0	0	0
d. What risks related to the quality of delivery might occur?	2	3	3	1	2	3
e. What is the level of risks related to possible lack of commercial and entrepreneurial skills required to make option work?	1	3	3	1	2	2

	<b>In-house</b>	<b>Wholly owned</b>	<b>IPS</b>	<b>In-house</b>	<b>Wholly owned</b>	<b>IPS</b>
	<b>Risk</b>	<b>Risks</b>	<b>Risks</b>	<b>Opps</b>	<b>Opps</b>	<b>Opps</b>
f. To what extent could the model lead to a differentiation of service levels in different parts of county / “post code lottery”?	1	1	2	1	1	3
<b>Total score</b>	<b>23</b>	<b>40</b>	<b>42</b>	<b>26</b>	<b>27</b>	<b>41</b>

## GLOSSARY

AGM	Annual General Meeting (i.e. annual company meeting for all company members)
Asset lock	A feature of many Industrial & Provident Societies – any asset the organisation holds cannot be disposed of without formal permission of the regulator (in this case the FSA), and the proceeds of any sale will need to be re-invested into the company. In the case of the organisation being wound up, the assets would fall to another organisation fulfilling the community purpose.
Business rates (NNDR)	Business rates is the commonly used name of National Non-Domestic Rates (NNDR), a tax on the occupation of non-domestic property.
Community governance of libraries	Management or leadership to oversee the operational delivery and direction of the local library service, through local library organisations. Responsibilities may vary according to local capacity.
Company limited by guarantee	A company limited by guarantee is an alternative type of incorporation used primarily for non-profit organisations that require corporate status. In this type of company there is no share capital, having members who are guarantors not shareholders. The guarantors give an undertaking to contribute a nominal amount towards the winding up of the company in the event of a shortfall upon cessation of business. It cannot distribute its profits to its members
Countywide library service	The geographic spread of the Suffolk public library service. At present this is a mix of libraries in buildings and mobile libraries. In future libraries are expected to share buildings with other services, and to develop outreach services and alternative ways of reaching people who may now rely on mobile libraries. The services provided through the library network will be described in a commissioning document.
CSD	Customer Service Direct – joint venture between SCC and BT, providing HR, Finance and ICT services to SCC.
ICT	Information and Communications Technology – particularly related to the IT network
Facilities Management (FM)	Activities related to the maintenance and care of a building, including maintenance, cleaning, grounds maintenance, catering etc.
FSA	Financial Services Authority – is the regulator for Industrial and Provident Societies (IPS)
FTE	Full time equivalent posts.
Governance	Management or leadership processes to manage

	and direct a service. For local library governance, this may be variable in line with local capacity.
Income Generation (for library service)	This could include income from trading (e.g. for local library organisations hiring DVDs etc or for central support function selling services), fees, fundraising, donations, or attracting finance. There are regulations which preserve the free lending of books and provision of information services.
IPS (Industrial and Provident Society)	An incorporated organisation conducting an industry, business or trade, either as a Co-operative or for the benefit of the community, and will be registered with the FSA under the Industrial and Provident Societies Act 1965. An IPS is a mutual, and exists broadly to trade and provide benefits to its members.
IPS Ben-Com (Industrial and Provident Society for the benefit of the community)	An incorporated Industrial and Provident Society (IPS) that conducts business for the benefit of their community. Profits are not distributed among members, or external shareholders, but returned to the community.
Library enabling service	The central library function which will manage and coordinate the countywide library service, including e.g. the management of the One Countywide Bookstock, the Library Management System and Suffolk Libraries Direct.
Local library organisation	Term used to describe groups which will manage local libraries independently of the central support organisation. They must be constituted in some way as eg an incorporated organisation or constituted associations. It may also be the town or parish council.
Library Management System	The online software that manages loans, reservations and catalogue enquiries. It holds the catalogue of countywide book stock and the library borrower database. It will be available to all libraries, and to workers in the central library enabling service.
Menu of delegated responsibilities	A tool to allow local library organisations to determine their desired level of governance of the local library service through delegated responsibilities from Suffolk County Council (via the wholly owned company or IPS if these models are chosen)
Non-Participating membership	A company where only those who serve as Directors are members and owners of the company (see also: participating membership)
One Countywide book stock	This is the stock of books and other items that will be shared by all libraries that are part of Suffolk libraries. The stock will be selected, bought, distributed and managed by the central support organisation.
Participating membership	A company's board of directors which is accountable to a wider membership. Members will typically hold voting rights at general meetings and will elect all or

	some of the directors. (see also: non-participating membership)
Quango	Quasi Non-Governmental Organisation - A non-elected or indirectly elected agency that spends public money.
Quorum	The minimum number of members of a company necessary to conduct the business of that group.
SCC	Suffolk County Council
Social enterprise	Terms covers a wide range of organisational and legal forms. Office of the Third Sector definition: "A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners".
Suffolk Libraries Direct	This is the library service's online presence. It allows people to manage their account, search the catalogue and reserve items. It is also the access point for online information services that the library service subscribes to.
Transfer of Undertakings (Protection of Employment) Regulations (TUPE)	The purpose of TUPE is to protect employees if the business in which they are employed changes hands. Its effect is to move employees and any liabilities associated with them from the old employer to the new employer by operation of law.
Wholly owned company	In this context: A company wholly owned by Suffolk County Council, but run independently by a Board of Directors appointed by the Council.

## Appendix: Best Value Test Comparative Table

	In-House	Wholly Owned	IPS
<b>1. Statutory test: Will the County Council be able to meet with this option its statutory obligations?</b>			
a. Can a secure mechanism be established to set up and maintain service standards? <i>Service standards are specified in writing with agreed performance metrics, and are monitored.</i>	<p>The County Council remains directly in charge of the library network (including by allocating budgets directly to local library providers). The central service is delivered in-house, so the Council can directly ensure service standards.</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>	<p>Would be set up contractually as part of the grant payment. The performance framework (part of the Commissioning Strategy section of this paper) would need to be included as part of the grant agreement, and each tranche of grant would only be paid out if the required standards have been met. Risks:</p> <p>1) Inexperience in putting this kind of contract together (and low opportunity to learn from other places as there is nationally limited experience of this kind of contract)</p> <p>2) Insufficient staff capacity in the centre could lead to the County Council not being fully able to check that these standards are maintained.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: N/A</b></p>	<p>Would be set up contractually as part of the grant payment. The performance framework (part of the Commissioning Strategy section of this paper) would need to be included as part of the grant agreement, and each tranche of grant would only be paid out if the required standards have been met. Risks:</p> <p>1) Inexperience in putting this kind of contract together (and low opportunity to learn from other places as there is nationally limited experience of this kind of contract)</p> <p>2) Insufficient staff capacity in the centre could lead to the County Council not being fully able to check that these standards are maintained.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: N/A</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p>b. Can the statutory duty to maintain a whole network of libraries be met? <i>The Council is confident that library network is sustainable.</i></p>	<p>The County Council remains directly in charge of the library network (including by allocating budgets directly to local library providers) so can itself ensure that the network is maintained.</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>	<p>This will be set up contractually as part of the grant.</p> <p><b>Risk: LOW</b> <b>Opportunity: N/A</b></p>	<p>This will be set up contractually as part of the grant.</p> <p><b>Risk: LOW</b> <b>Opportunity: N/A</b></p>
<b>2. Financial test</b>			
<p>How much will the delivery of this option cost? How much saving will be made? What are the set-up costs? <i>The library service will be run at a significantly reduced cost to the County Council.</i></p>	<p>The annual running costs of this model are estimated at £7.04m, which is a reduction of the current budget of 21.4% (+/- 1.5% for best and worst case scenarios).</p> <p>The transition costs are for this option the lowest (£0.36m).</p>	<p>The annual running costs of this model are estimated at £7.05m, which is a reduction of the current budget of 21.3% (+/- 2% for best and worst case scenarios).</p> <p>The transition costs for this option are estimated at £0.49m - the mid range position of the three options.</p>	<p>This is expected to be the cheapest model. The annual running costs of are estimated at £6.48m, which is a reduction of the current budget of 27.6% (+/- 2.8% for best and worst case scenarios).</p> <p>The transition costs are for this option the highest, at £0.65m.</p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p>How likely is it that the modelled savings will be achieved or surpassed?  <i>Risk is whether modelled savings can be met.</i>  <i>The opportunity includes unquantified additional saving potential</i></p>	<p>With the library service remaining under full control of SCC, there is quite a high confidence that savings can be met, but there is limited opportunity to save further amounts in the central enabling service.</p> <p><b>Risk: LOW</b>  <b>Opportunity: LOW</b></p>	<p>Being owned by SCC, the risk of not meeting savings targets is low, as the Council retains a significant level of control over the company.</p> <p>There is some opportunity to reduce costs further, e.g. through reduction of costs for back office services (the financial modelling assumes that the back office function of the company remain as current) and property related contracts if the company can secure alternative suppliers.</p> <p><b>Risk: LOW</b>  <b>Opportunity: MEDIUM</b></p>	<p>A significant proportion of the identified savings would come from business rate (NNDR) relief due to the charitable status of the IPS. There is a risk that after 2013/14 these business rate savings will become cost neutral to local councils depending on the outcome of the Government review on local retention of business rates. The proposals on this review are currently not clear whether charitable rate relief would be reimbursed by Government to local authorities or not.</p> <p>There is opportunity to reduce costs further, e.g. through further reduction of cost for back office services and property related contracts from non-SCC contracted suppliers.</p> <p><b>Risk: MEDIUM</b>  <b>Opportunity: MEDIUM</b></p>



	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p>a.1 What will be the customer perception of the service?  <i>Customers have complete faith in delivery</i></p>	<p>The in-house service has an excellent reputation, which would form a good basis to maintain customer support. There is a risk that with reduced staffing and service levels the reputation could suffer.</p> <p><b>Risk: LOW</b>  <b>Opportunity: HIGH</b></p>	<p>SCC maintains secure governance of the company as it retains the right to appoint to the Board. However, this characteristic generates a risk that it could be perceived as a quango. It may also be seen as a mechanism to reduce the terms and conditions of new staff.</p> <p><b>Risk: HIGH</b>  <b>Opportunity: LOW</b></p>	<p>Social enterprise organisations such as the proposed IPS are not well known in the public, thus it is uncertain what people may associate with it. The model invoked a lot of interest at the Library Stakeholder Workshop in September. Giving decision making to local library organisations through the member-elected Board gives SCC's local governance aspiration credible. The charitable status of the IPS and the oversight and assurance provided by the FSA may reassure the public.</p> <p><b>Risk: MEDIUM</b>  <b>Opportunity: MEDIUM</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p>a.2 Will the quality assurance framework be able to ensure quality? <i>Quality assurance framework in place</i></p>	<p>Yes. However there is the risk that insufficient staff capacity in the centre could lead to the County Council not being fully able to check that these standards are maintained.</p> <p><b>Risks: LOW</b> <b>Opportunity: N/A</b></p>	<p>Will need to be set up contractually as part of the grant payment. However there is the risk that insufficient staff capacity in the County Council could lead to the Council not being fully able to check that standards are maintained.</p> <p><b>Risks: MEDIUM</b> <b>Opportunity: N/A</b></p>	<p>Will need to be set up contractually as part of the grant payment. However there is the risk that insufficient staff capacity in the County Council could lead to the County Council not being fully able to check that standards are maintained.</p> <p><b>Risks: MEDIUM</b> <b>Opportunity: N/A</b></p>
<p>a.3 Will option allow for the current network to be maintained and expanded? <i>Providing local access, including for children and older people or vulnerable groups</i></p>	<p>SCC is directly in charge of the library network, only delegating budgets down to local library organisations where appropriate. Financial pressures may mean that maintaining the current network could become increasingly difficult. As the model is less likely to be set up with trading in mind, it would be more difficult to expand the current network to non-funded independent providers.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: LOW</b></p>	<p>The maintenance of current network would be defined as part of contractual agreement. However there is a risk in the financial feasibility of maintaining the entire network as it is dependent on savings in central model and by local library organisations. The company can trade e.g. it could sell its enabling services to other providers but the company is not primarily set up for that purpose.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: LOW</b></p>	<p>The maintenance of current network could be defined as part of contractual agreement. However there is a risk in the financial feasibility of maintaining the entire network as it is dependent on savings in central model and by local library organisations. New library providers could be set up and pay for central services. Able to be more responsive on request from local organisations, being an enabling, members-owned enterprise.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: MEDIUM</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
a.4 Will option maintain / improve libraries as a place to meet? <i>Libraries will continue to be valued as a hub for the local community.</i>	<p>This is dependent on how the local library is run under its local governance framework. There should be no significant difference between the options.</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>	<p>This is dependent on how the local library is run under its local governance framework. There should be no significant difference between the options.</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>	<p>This is dependent on how the local library is run under its local governance framework. There should be no significant difference between the options.</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>
a.5 Will option maintain or improve opening hours?	<p>This is dependent on how the local library is run under its local governance framework. There should be no significant difference between the options.</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>	<p>This is dependent on how the local library is run under its local governance framework. There should be no significant difference between the options.</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>	<p>This is dependent on how the local library is run under its local governance framework. There should be no significant difference between the options.</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p>a.6 Will option continue to provide qualified/ trained staff in the library service? <i>There will be sufficient professionally qualified, Chartered Librarians in the service. Front line library staff will be appropriately trained.</i></p>	<p>The restructure of the service is likely to see a reduction in professionally qualified staff in the centre. Training/skills requirements for local library staff are defined as part of menu of delegated responsibilities.</p> <p><b>Risk: LOW</b> <b>Opportunity: N/A</b></p>	<p>The restructure of the service is likely to see a reduction in professionally qualified staff in the centre. As a company it will look for a wider skill set in addition to professional skills (e.g. business skills, finance skills), so it is likely that the reduction of qualified staff will be higher than in the in-house option. Also, this option may not be able to attract the highest calibre of professionally qualified library staff, as career opportunities may be seen as more limited. Training/skills requirements for local library staff are defined as part of the menu of delegated responsibilities.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: N/A</b></p>	<p>The restructure of the service is likely to see a reduction in professionally qualified staff in the centre. As a company it will look for a wider skill set than just professional skills (e.g. business skills, finance skills), so it is likely that the reduction of qualified staff will be higher than in the in-house option. Also, this option may not be able to attract the highest calibre of professionally qualified library staff, as career opportunities may be seen as more limited. Training/skills requirements for local library staff are defined as part of the menu of delegated responsibilities.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: N/A</b></p>
<p>a.7 Will option provide the same degree of access to central stock? <i>The resources of the whole network will be available via any library access point</i></p>	<p>Yes - all local libraries will continue access to the One Book Stock.</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>	<p>Yes - all local libraries will continue access to the One Book Stock.</p> <p><b>Risk: N/A</b></p>	<p>Yes - all local libraries will continue access to the One Book Stock.</p> <p><b>Risk: N/A</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
		<b>Opportunity: N/A</b>	<b>Opportunity: N/A</b>
<b>b. Enhancing governance for this service – vision: stronger community governance</b>			
<p>b.1 How will option deliver the Council's aspiration for local governance?  <i>Local communities will have the opportunity to manage their local library service with its assets where they live, and can influence development of the service to meet local aspirations.</i></p>	<p>While local libraries would be encouraged to set up local governance for individual libraries, the central co-ordination and provision of services would remain governed by SCC.</p> <p><b>Risk: LOW</b></p>	<p>Local libraries will be encouraged to set up local governance arrangements for individual libraries. The central co-ordination and provision of services will be provided by a company which is governed by a Board which is likely to include independent Board Members - so some local library representation could be built in.</p> <p><b>Risk: LOW</b></p>	<p>This model has local governance at its heart, and provides an additional incentive for local organisations to take on library services. The IPS itself, providing central services and coordination, is governed by the organisations running local library services. The Company Board is elected by these local organisations with democratic "one member one vote" principles, and all Board members have to be part of an organisation running local library services and using the central enabling services of the IPS.</p> <p>There is a risk around governance if many communities do not take on local library governance. The IPS would then have limited number of members and uneven representation of libraries.</p> <p><b>Risk: MED</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
	<b>Opportunity: LOW</b>	<b>Opportunity: LOW</b>	<b>Opportunity: HIGH</b>
<p>b.2 What scope does option have to accommodate the different levels of delegated responsibilities for local library organisations? <i>The model works effectively with the three levels of delegated responsibility identified.</i></p>	<p>As part of the menu of delegated responsibility, this model should be able to accommodate different levels.</p> <p><b>Risk: LOW</b> <b>Opportunity: MEDIUM</b></p>	<p>As part of the menu of delegated responsibilities, this model should be able to accommodate different levels. However, the commercial interests of the company may discourage local library organisations from taking on more services themselves.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: MEDIUM</b></p>	<p>As long as the community-run libraries meet membership criteria, it is designed to accommodate a wide range of levels of community-run libraries. As the IPS exists to support its members, it will be very flexible to react to the wishes and needs of community-run libraries.</p> <p><b>Risk: LOW</b> <b>Opportunity: HIGH</b></p>
<p>b.3 To what extent does the library service remain democratically accountable/ has a democratic mandate? <i>Elected Councillors have a specified role in the governance of the library service.</i></p>	<p>Direct democratic accountability - Full Council, Cabinet and delegation to Portfolio Holder and Director to remain in charge of the central library service provision.</p>	<p>Democratic mandate via grant agreement set by SCC. Also, option for elected members to feature strongly on the Board of the company. However, these elected members would have to act in their role as Company Directors fully in the interest of the company (and not of the County Council) so could potentially lead to conflicts of interest.</p>	<p>Democratic mandate via grant agreement set by SCC. This model would fully rely on community governance, both for central and local library service provision. Within the Company Board, there would be no County Council representation (although County Councillors could be invited to sit on sub-committees). Question around mandate for governance of IPS - based on risk around mandate for local groups taking on library organisations - how is it decided that they represent local community?</p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
	<b>Risk: N/A</b> <b>Opportunity: HIGH</b>	<b>Risk: MEDIUM</b> <b>Opportunity: LOW</b>	<b>Risk: HIGH</b> <b>Opportunity: N/A</b>
<b>c. Opportunity for integration with other services</b>			
c.1 Will the option promote re-consideration of where local libraries are delivered - e.g. move to different building?	The in-house option may provide more flexibility in using other SCC owned properties to relocate to.  <b>Risk: N/A</b> <b>Opportunity: LOW</b>	As SCC will only provide a license to the company to use library buildings, there may still be a level of flexibility as to changing/adjusting library locations, taking advantage of SCCs property portfolio.  <b>Risk: N/A</b> <b>Opportunity: LOW</b>	Depends on the arrangement with the County Council as the owner of the buildings. As a community-led company, the IPS model may open up more opportunities for co-location with other community facilities.  <b>Risk: N/A</b> <b>Opportunity: LOW</b>
c.2 Will the option promote co-location of other public/third sector services?	The in-house option may be able to better consider co-location with other the County Council services.  <b>Risk: N/A</b> <b>Opportunity: LOW</b>		As a community-led company, the IPS model may open up more opportunities for co-location with other community facilities.  <b>Risk: N/A</b> <b>Opportunity: LOW</b>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p><b>d. Meeting Suffolk County Council corporate priorities</b>  <i>Is there an effective mechanism for library service to support County Council priorities?</i></p>	<p>Being part of the Council means the library service can be required to support specific corporate priorities. The current library service has a good track record in this. As an in-house unit, the library service is likely to be better linked into other parts of the County Council and with partner organisations, which may facilitate the service to support specific priorities.</p> <p>The library service would remain in a position where it could be directly susceptible to changes in corporate priorities.</p> <p><b>Risk: LOW</b></p> <p><b>Opportunity: MEDIUM</b></p>	<p>The County Council will not have direct influence on the operations of the company. As a result, any activities the Council wishes the library service to deliver to meet the Council's corporate priorities would have to be funded separately through a project budget (unless there is specific requirement made within the grant agreement).</p> <p>However, with higher scope for innovation (see below), the company might be in a better place in innovating how these priorities could be met.</p> <p>It may be seen as an opportunity that the company would not be distracted by any changes to the Council's corporate priorities.</p> <p><b>Risk: MEDIUM</b></p> <p><b>Opportunity: MEDIUM</b></p>	<p>The County Council will not have direct influence on the operations of the IPS. As a result, any activities the Council wishes the library service to deliver to meet the County Council corporate priorities would have to be funded separately through a project budget (unless there is specific requirement made within the grant agreement).</p> <p>However, with higher scope for innovation (see below), the IPS might be in a better place in innovating how these priorities could be met.</p> <p>It may be seen as an opportunity that the company would not be distracted by any changes to the County Council corporate priorities.</p> <p><b>Risk: MEDIUM</b></p> <p><b>Opportunity: MEDIUM</b></p>

	In-House	Wholly Owned	IPS
<p><b>e. Scope for innovation is the model more likely to foster innovation within the service?</b>  <b>To consider:</b></p>			
<p>e.1 What scope is there for cultural change within the library service?  <i>The library service has a culture which promotes innovation in service delivery and is responsive to local need within a stable county framework.</i></p>	<p>Cultural change amongst staff would be governed by SCC's corporate culture. This local authority culture which runs across all service areas, may be slower to change and evolve than within a smaller independent company.</p> <p><b>Risk: MEDIUM</b>  <b>Opportunity: LOW</b></p>	<p>As an independent company, this model has the potential to introduce and bring about cultural change more quickly. It is important to note though that the success and the level of innovation will depend on the quality of leadership (i.e. calibre of management staff) and staff capacity within the company.</p> <p><b>Risk: LOW</b>  <b>Opportunity: MEDIUM</b></p>	<p>As a membership body where local library organisations own the company, members may be able to drive cultural change at a central and a local level, and sow the seeds of new innovations. As an independent company, the IPS would be able to bring about cultural change more quickly. It is important to note though that the success and the level of innovation will depend on the quality of leadership (i.e. calibre of management staff) and staff capacity within the company.</p> <p><b>Risk: LOW</b>  <b>Opportunity: HIGH</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p>e.2 How can the service increase staff engagement/ownership?  <i>Staff - employees and volunteers - are fully committed to the service and are empowered to influence the quality and direction of service delivery.</i></p>	<p>The commitment of the current library service employees is strong as evidenced by low staff turnover rates, low sickness absence rates and willingness to engage in a wide range of activities. Currently, there is no staff engagement in library governance. There is a risk that any re-structure resulting in redundancies may result in disengagement of staff.</p> <p><b>Risk: LOW</b>  <b>Opportunity: LOW</b></p>	<p>As a new company, it would be able to choose to increase the level of staff engagement in the governance of the organisation. It is important to note that the level and quality of staff engagement would depend on the quality of leadership (i.e. calibre of management staff) and staff capacity within the company. There is also a risk that any re-structure resulting in redundancies may result in disengagement of staff.</p> <p><b>Risk: MEDIUM</b>  <b>Opportunity: MEDIUM</b></p>	<p>With this form of social enterprise organisation, staff engagement is likely to be a strong feature. It is important to note that the level and quality of staff engagement is still dependent on the quality of leadership (i.e. calibre of management staff) and staff capacity within the IPS. There is also a risk that any re-structure resulting in redundancies may result in disengagement of staff - particularly in this model as it is the independent IPS rather than SCC instigating the redundancies.</p> <p><b>Risk: MEDIUM</b>  <b>Opportunity: HIGH</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p>e.3 Is there capacity and drive for flexible service expansion?  <i>The library service will have the capacity and drive to encourage more communities to take over the running of libraries; encourage new library delivery points; income opportunities etc.</i></p>	<p>Driven by corporate priorities - depends on level of resources available. The level of innovative activities would be influenced by SCC's corporate culture and priorities which could restrict or support capacity for community development. The library service would be in competition for corporate resource support from other services delivered by the Council.</p> <p><b>Risk: HIGH</b>  <b>Opportunity: LOW</b></p>	<p>The wholly owned company model, managed by a Board may experience some tension between the cost-efficient running of the service and the resources needed to develop and sustain a variety of local library organisations. As a company it could trade and look for new business opportunities.</p> <p><b>Risk: MEDIUM</b>  <b>Opportunity: MEDIUM</b></p>	<p>This option is designed around each community's needs - so will be able to react to the ideas and wishes of their community members. The IPS is designed with a clear aspiration to establish local governance for all libraries (and thus increase its membership). As an independent company, it could trade freely, and is designed in a way that new self-funding local library providers (e.g. companies) could be accommodated.</p> <p>As an independent charitable organisation, the IPS may be in a better position to attract a higher number of volunteers.</p> <p><b>Risk: LOW</b>  <b>Opportunity: HIGH</b></p>
<b>4. Partnership working test</b>			

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p>Will the model strengthen partnership working between the library service and communities?  <i>The model will strengthen partnership working and co-creation between the central library service and local communities.</i></p>	<p>The relationship of SCC and the current in-house library service with communities has at times been difficult in recent months particularly during the earlier phases of the consultation process on the future of libraries. The County Council, and its library service, would have to find ways of re-building the communities' trust, through open information sharing and a two-way dialogue to work out how communities could support the library service. The menu of delegated responsibilities has the potential to improve communication. However, there will always be a threat to good partnership working for the in-house library service, as local authority cuts and asking communities to take on more library responsibilities (and make up for cuts) will be intrinsically linked in the medium term future.</p> <p><b>Risk: MEDIUM</b>  <b>Opportunity: MEDIUM</b></p>	<p>In this model, the commercial interests of the company may hinder the evolution of good partnership working with communities. As raised in b.2, the company could discourage local library organisations to take on more services themselves, and local library organisations may be more suspicious of the motives of the company. The company would have to find ways of gaining the communities' trust. The concept of the menu of delegated responsibilities will be a good starting point, but may be seen by local library organisations as a half-hearted attempt by the company to gain their buy-in.</p> <p><b>Risk: HIGH</b>  <b>Opportunity: LOW</b></p>	<p>This model is designed to create, through the membership model, a strong partnership/co-creation relationship between local library organisations and the enabling service. Its intention to increase community involvement in both running local libraries and the central unit is genuine and built into its constitution. There is a risk though that there may be a conflict of local library and countywide interests, in particular as the IPS has to find mechanisms to distribute funding on a fair basis. This may be a risk to establishing trust and effective partnership working between local library organisations.</p> <p><b>Risk: MEDIUM</b>  <b>Opportunity: HIGH</b></p>

	In-House	Wholly Owned	IPS
<b>5. Sustainability and risk test</b>			
<p>a. Will the new vehicle be sustainable?  <i>The library service has sufficient resource to sustain the county wide network of libraries and the governance arrangements are secure and include an appropriate level and range of expertise.</i></p>	<p>Being part of SCC provides the business unit with flexible access to a range of specialist advice and support in key business areas such as finance, HR, legal, property, project and change management and ICT. Being part of the Council also provides a high degree of organisational security, allowing a focus on sound budget management rather than cash flow. Failure to achieve reductions in corporate overheads would have a negative impact on the library service.</p> <p><b>Risk: LOW</b>  <b>Opportunity: MEDIUM</b></p>	<p>1) Issues around quality vs price: If the company finds that it does not have sufficient staff capacity there may be a risk that it either fails to meet its requirements, or that it has to spend more money on additional staff, and thus would be unsustainable on the proposed funding levels.  2) Potentially cash flow risks.  3) The company would need from the outset access to sufficient reserves to cover cash flow and potential company liabilities.  4) Governance relies on securing volunteer Directors with appropriate professional expertise.</p> <p><b>Risk: HIGH</b>  <b>Opportunity: MEDIUM</b></p>	<p>1) Issues around quality vs price: If IPS finds that it does not have sufficient staff capacity there may be a risk that it either fails to meet its requirements, or that it has to spend more money on additional staff, and thus be unsustainable on the proposed funding levels.  2) Potentially cash flow risks.  3) IPS would need from the outset access to sufficient reserves to cover cash flow and potential company liabilities.  4) The IPS governance is reliant on securing community volunteers who are not only willing to run local library organisations but also able and willing to run the IPS central organisation.  5) There may be a risk in the IPS Board that there could be conflict between local library organisation interests and maintenance of the whole county network.</p> <p><b>Risk: HIGH</b>  <b>Opportunity: MEDIUM</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p>b. What is the impact for the County Council if the business fails?</p> <p><i>The impact of the enabling library service not meeting the Council's expectations (in quality and service standards) and/or having to close down due to failing to work within its budget envelope can be mitigated without much damage.</i></p>	<p>Being part of Suffolk County Council the business unit cannot "fail" as such i.e. go bankrupt - it may not meet its spending/saving targets but it would continue to exist. Reductions in the county network may then need to be revisited.</p> <p><b>Risk: LOW</b> <b>Opportunity: N/A</b></p>	<p>In case of business failure, the County Council could either:</p> <p>1) Replace board members/board - a simple solution which may have limited impact or</p> <p>2) Terminate the contract, and close the company, bring staff (via TUPE) back in-house. This would result in additional costs and likely service disruption. The reputational damage to the County Council may in this model be comparably high, as failure to run its own company may be seen as embarrassing.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: N/A</b></p>	<p>In case of business failure, the County Council could terminate the contract. To meet its statutory obligations, the County Council would have to bring the service in-house or find an alternative service provider. This would result in additional costs and service disruption. The reputational damage to the County Council may not be too significant, as the County Council would have genuinely tried to do something different with the library service empowering communities to run the service.</p> <p>If the IPS closes down, all company assets would be secured through its asset lock for library use and would be transferred back to the County Council or to equivalent community use. The complexity of terminating the contract with the IPS would be quite high, requiring the membership relationship and contractual arrangements with local library organisations to be disentangled.</p> <p><b>Risk: HIGH</b> <b>Opportunity: N/A</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
c. Risks related to legal challenges that services will not be tendered	<p>None</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>	<p>None</p> <p><b>Risk: N/A</b> <b>Opportunity: N/A</b></p>	<p>There is a low level of risk for legal challenges - see Procurement Statement section of this document.</p> <p><b>Risk: LOW</b> <b>Opportunity: N/A</b></p>
d. What risks related to the quality of delivery might occur? <i>The quality of library service can be maintained or improved.</i>	<p>The Performance Framework needs to provide sufficient specification to ensure that quality is clearly defined. There is the risk that the proposed significant reduction in staffing levels in the enabling service could impact on the quality of service delivery. In this model, it may be possible to mitigate this if required through corporate back-up.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: LOW</b></p>	<p>The Performance Framework needs to provide sufficient specification to ensure that quality is clearly defined. There is the risk that the proposed significant reduction in staffing levels in the enabling service could impact on the quality of service delivery. The quality of leadership within the company will impact on whether quality in delivery can be achieved and improved.</p> <p><b>Risk: HIGH</b> <b>Opportunity: MEDIUM</b></p>	<p>The Performance Framework needs to provide sufficient specification to ensure that quality is clearly defined. There is the risk that the proposed significant reduction in staffing levels in the enabling service could impact on the quality of service delivery. At the same time, through the higher scope for innovation, there is a significant opportunity for the model to improve the quality of delivery. The quality of leadership within the company will impact on whether quality in delivery can be achieved and improved.</p> <p><b>Risk: HIGH</b> <b>Opportunity: HIGH</b></p>

	<b>In-House</b>	<b>Wholly Owned</b>	<b>IPS</b>
<p>e. What is the level of risks related to possible lack of commercial and entrepreneurial skills required to make option work? <i>Service will thrive by introducing a more commercial and entrepreneurial approach</i></p>	<p>As the service remains part of the corporate structure of the County Council, there are limited opportunities in adding a more entrepreneurial approach.</p> <p><b>Risk: LOW</b> <b>Opportunity: LOW</b></p>	<p>The level of commercial and entrepreneurial skills in the library enabling service depends on a) the payrate provided for senior staff, b) the balance of skills in the reduced pool of staff c) the entrepreneurial capacity of existing staff (and further development in it), and d) the entrepreneurial and commercial knowledge available on the Company Board.</p> <p><b>Risk: HIGH</b> <b>Opportunity: MEDIUM</b></p>	<p>The level of commercial and entrepreneurial skills in the library enabling service depends on a) the payrate provided for senior staff, b) the balance of skills in the reduced pool of staff available, c) the entrepreneurial capacity of existing staff (and further development in it), and d) the entrepreneurial and commercial knowledge available on the Company Board.</p> <p><b>Risk: HIGH</b> <b>Opportunity: MEDIUM</b></p>
<p>f. To what extent could the model lead to a differentiation of service levels in different parts of county / "post code lottery"?</p>	<p>This is primarily dependent on arrangements with local library organisations, as the Menu of delegated responsibilities will provide a baseline requirement for all local libraries.</p> <p><b>Risk: LOW</b> <b>Opportunity: LOW</b></p>	<p>This is primarily dependent on arrangements with local library organisations, as the Menu of delegated responsibilities will provide a baseline requirement for all local libraries.</p> <p><b>Risk: LOW</b> <b>Opportunity: LOW</b></p>	<p>Arguably, this model is most likely to tolerate and even promote variation. However, through its membership criteria and contractual relationship with local library organisations, it will ensure that minimum standards are met. In that sense, the "post code lottery" would mean that some libraries with active and innovative governance will be able to deliver more than the standard package.</p> <p><b>Risk: MEDIUM</b> <b>Opportunity: HIGH</b></p>

## Contact Details

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