Appendix C

Details of other Alternative Delivery Models established and lessons learnt

Officers are aware that during the process to date Members have asked many questions relating to DCC's experiences with Clwyd Leisure Trust, what lessons have we learned from that, and have we looked at what other Authorities in the area, and beyond, are doing in relation to establishing ADMs.

This Appendix seeks to provide Members with reassurances that as a Council we have learned from the Clwyd Leisure experience and that we have researched what other Authorities are doing in terms of establishing their own ADMs.

There is clearly no "one model fits all" approach when it comes to establishing an ADM, as there are a wide range of options. We have carefully considered all options and have suggested an ADM model that others have used, but the recommendation is based on "best fit" for what we want to include and what we want to achieve here in DCC.

1. **Flintshire County Council;**

'Aura' was established in September 2017, as a charitable, not-for-profit ADM organisation, which is responsible for managing the majority of leisure centres and libraries previously operated directly by Flintshire County Council.

Aura is owned by its employees, not by the Council. The company's legal model is a "Community Benefit Society".

Members of DCC's, ADM Project Team met with senior managers at Aura. They have been involved in the original set up of the ADM and have been part of the the senior management team since the company's inception. They were able to share the background to the establishment of the ADM and the learning gained over the last 18 months. Aura's business plan is based on Flintshire County Council reducing the subsidy given to the company by 10% per annum for the initial 3 year contract.

2. **Gwynedd County Council;**

Gwynedd County Council has recently set up 'Byw'n Iach', a similar ADM to the one proposed in DCC i.e. it is a not for profit Local Authority Trading Company limited by guarantee, to run its Leisure Centres, a couple of synthetic pitches and play areas and the National GP Referral scheme. The company commenced trading on 1st April 2019.

Whilst it is early days for 'Byw'n Iach', the same members of the DCC ADM Project Team benefited from a meeting with Gwynedd County Council's Project Manager who was able to share their recent experiences from the implementation perspective. Members of DCC's finance department also benefitted from a conference call with their counterparts in Gwynedd.

3. **Newport City Council;**

"Newport Live" is an ADM based on a social enterprise and registered charitable trust. It was established by Newport City Council to run its Leisure and cultural facilities and programmes. DCC was made aware of Newport Live by the Arts Council for Wales, which sited the good working relationship that they had with this enterprise, when DCC's ADM proposal was discussed with them relative to Ruthin Craft Centre and DCC's arts programme that they fund. Arts Council for Wales raised no in principle objection to our proposed ADM.

The visits to 'Aura' and Gwynedd were valuable and reinforced the approach that we are taking to the implementation within DCC.

For 'Aura' although the model is different, many of the implementation processes are the same. The discussions with both confirmed our thinking regarding items such as pensions, payroll, insurances, banking arrangements, Service Level agreements for the ongoing provision of services from the Council, ICT, the leases and contract management arrangements among others. It was also useful to discuss the way in which the staff were transferred to the new legal entities' and the interim arrangements that they put in place during the transition period.

Both sited the importance of relationship management given that the arrangement is new for both parties. The new company needs to have the freedom to trade, but the Council needs to be able exercise control through the contract management process.

Lessons have also been learned having regard to Clwyd Leisure which was an ADM based on the 'Trust' model. This made it harder for the Council to control the activities of the Trust. The Council had a maximum of 2 members on the Board of the Trust, had insufficient ability to audit, and had no contract management arrangements in place.

In addition to the visits to 'Aura' in Flintshire and Gwynedd County Council and lessons learned from Clwyd Trust, a short piece of work was commissioned to gain insight from the experiences of other ADM companies that are already trading across the UK. Interviews were undertaken with 8 different arm's length Alternative Delivery Model companies that had been set up with local authorities. The majority were from the Leisure Sector and included Trust models as well as Local Authority Trading Models.

Key Learning Issues;

1. Keep in mind the principle benefits that the Council want to achieve from the establishment of an ADM. These should be the guiding principles and provide a sense check throughout the process (e.g. if it's about financial savings ensure the ADM Model chosen can benefit from NNDR and VAT savings, if it's about the Council retaining significant control don't establish a company owned by its employees etc).

2. Effective contract management between the Council and the new company to maintain an open and transparent relationship. Contracts need to be in place and clearly outline the expectations and responsibilities of each party and where possible cover all eventualities (it's fair to say this was not a strength of the Clwyd Leisure Trust arrangements).

3. The need for the company to have the autonomy to trade but the controls in place to protect the Council's interests (the trading "Teckal" element is included in the proposed ADM model).

4. Where the Council retains a 100% share in the stake holding, the need to have a "Strategic Board" where certain decisions can be referred to protect the interest of the Council should be established to complement existing decision making arrangements (such a "Strategic Board" is proposed as part of the ongoing governance arrangements).

5. Boards for the ADM tend to be made up of between 7 and 12 Directors with require suitable and varied expertise and experience to support the company. The choice of the Chair of the Board is a key appointment for the success of the company (the governance arrangements makes provisions of a Board for the ADM, its precise make up being a decision deferred to Cabinet and Council in the autumn).

6. In establishing the ADM ensure the new arrangement has sufficient budget to succeed, whilst also ensuring it is not provided with too much of a generous budget that will negatively affect those functions retained by the Council (much work and challenge has been carried out in this regard. The revenue budget being transferred to the ADM broadly reflects the existing revenue budgets committed by the Council to run the facilities and deliver the services. These "base budgets" have been established over a number of years of rigorous budget setting arrangements including Service Challenges, savings/efficiency exercises, reports to CET, Cabinet, Council, Scrutiny etc. Officers are satisfied that the balance is broadly correct, but accept there will need to be close monitoring of the budget arrangements to ensure the ADM can deliver the services the Council want it to, whilst also being expected to provide savings/efficiencies in the same way as all other Council Services/functions are required to do).