

Delivery model	
Remaining in-house with re-engineering Option 1 - Remaining with the host council	The library service remains as a council operated service. Service re-design would be undertaken to improve systems, realise efficiencies, transform existing services or develop new services to meet the evolving needs of local communities.
Ownership	100% parent council
Governance	Within council management structures and hierarchy
Services	Can only deliver local public sector services
Staff Transfer	No staff transfer
Use of surpluses	Would be part of the wider organisational financial budgets
Procurement Process	None required
Commercial freedom	
Potential Advantages	<ul style="list-style-type: none"> • The ‘do minimum’ option is likely to require lower levels of resource (when compared to the establishment of other delivery model options) and will not require a procurement process • Depending on the scale of the re-engineering, the required level of change may be achieved relatively quickly and at (potentially) lower cost • One-off savings and efficiencies could be realised in the short term
Potential Disadvantages	<ul style="list-style-type: none"> • Re-engineering may result in efficiencies and savings being realised but in certain circumstances, these changes could result in the library service budget being reduced to an unsustainable level, to the extent that the service finds it difficult to meet the needs of the population either now or in the future • the library service is likely to remain primarily dependent on council funding, exacerbating the negative impact of any future reductions in council funding • the decision to remain in-house may result in the library service not being able to benefit from increased freedom to trade that would help to improve the service’s sustainability and flexibility to innovate, potentially threatening the long term sustainability of the service

Delivery model	
Remaining in-house with re-engineering Option 2 - Partnership across 2 or more councils	<p>Two or more councils may be in a position to work together to deliver public library services. This would involve partnership working between the councils, including the sharing of staff and other resources. It could also potentially involve the joint procurement of back office services and support systems, in addition to the sharing of best practice.</p> <p>The option would not necessarily involve the establishment of a new delivery model but would instead be based on a partnership agreement between councils. One of the partner councils could act as the host for the 'shared service' with staff and service</p>
Ownership	100% parent council
Governance	Within council management structures and hierarchy
Services	Can only deliver local public sector services
Staff Transfer	No staff transfer
Use of surpluses	Would be part of the wider organisational financial budgets
Procurement Process	None required
Commercial freedom	
Potential Advantages	<ul style="list-style-type: none"> • the ability to tap into expertise and intellectual property held across a number of councils • reduced duplication and the development of efficient shared services across a number of councils • possible savings opportunities, depending on the degree of sharing across councils • the ability to realise increased purchasing power across a number of councils • that in-house services are not required to pay VAT or corporation tax
Potential Disadvantages	<ul style="list-style-type: none"> • the inability of councils to agree on the scope and scale of the partnership • differences in operating systems and organisation cultures across the councils involved in the partnership • the need to agree the terms of the partnership, particularly in relation to the level of investment and the sharing of risks and rewards

Delivery model	
Local Authority Trading Company (LATC) - sometimes referred to as a Wholly Owned Company	LATCs are bodies that are free to operate as commercial companies but remain wholly owned and controlled by the parent council(s). As trading bodies, LATCs are in a position to provide their services to a wider market than a council department.
Ownership	100% parent council(s)
Governance	Can be designed for flexibility/autonomy. Requires a council appointed board. Service Level Agreement (SLA)/contract with parent council(s) - control test
Services	Flexible - but majority of services delivered on behalf of parent council(s) - function test
Staff Transfer	Employees of the library service would transfer to the LATC with their employment conditions protected by Transfer of Undertakings (Protection of Employment) regulations (TUPE).
Use of surpluses	The LATC's surpluses may be returned to the council (in the form of dividends or service charges) or re-invested into delivering services. The exact use of surpluses would be determined by the LATC's constitution and the nature of the agreement between the LATC and the council. Like any company, LATCs are required to pay corporation tax on profits
Procurement Process	LATCs are contracted by the parent council (or councils) to provide services back to the council(s) via a service contract. The council may decide to apply the Teckal or in-house exemption which allows the authority to establish a LATC without the requirement for a procurement exercise. It is based on case law but has recently been codified in the Public Contracts Regulations 2015. In general, the terms of exemption require: the council to control the vehicle as if it were an internal department, with there being no direct private share or ownership participation in the company (this is known as the control test) more than 80% of the vehicle's activities to be with its 'parent' council (this is known as the function test) If the council decides to undertake an open procurement, the Teckal requirements would not need to be in place.
Commercial freedom	This would be within the SLA on the services and activities on offer
Potential Advantages	<ul style="list-style-type: none"> • If the Teckal exemption is used, no procurement exercise is required • a clear commissioner/provider split exists, meaning that the council can incentivise the LATC to realise efficiencies and develop service offerings

	<ul style="list-style-type: none"> • two or more councils can work together to establish a library service LATC, potentially offering further opportunities to realise efficiencies • the council retains a high degree of control over the organisation, which may be a more politically palatable option than, for example, the PSM or outsourcing delivery models • an LATC can transition into alternative forms of delivery (for example a PSM) in the future • that despite certain restrictions on the type and level of commercial activities, LATCs possess greater freedom than in-house library services to develop and trade services, including the development and delivery of new non-statutory services which can generate a surplus for the organisation • that depending on how the LATC has been set up, the council may be in a position to ‘claw back’ surpluses from the service • an LATC may be able to achieve social enterprise status
Potential Disadvantages	<ul style="list-style-type: none"> • the process of establishing an LATC can be complicated, resource intensive and time consuming • the process would be undertaken ‘on top of the day job’ by library service staff, while it requires close working with a number of council departments (such as legal, finance, HR, property/premises etc.) and support from external experts • as a Teckal LATC needs to be owned and controlled by one or more councils, there is limited potential for other stakeholders (such as staff, community groups, or Friends Groups) to influence the strategic direction of the company • due to its close association with the council, a Teckal LATC is unlikely to achieve charitable status • the ability of a Teckal LATC to access external funding is limited because it is owned by a public body • as it is owned and controlled by the council, there is the risk that the creation of a LATC results in ‘more of the same’ being delivered • should a Teckal LATC wish to develop new (non-statutory) service lines, the income from these services is limited to 20% of the LATC’s total turnover • the LATC may be required to transfer surpluses back to the council, limiting the LATC’s ability to develop new services

	<ul style="list-style-type: none"> • should the LATC be able to retain a proportion of the surpluses it has generated, these would be subject to corporation tax • like any company, LATCs are required to pay VAT
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Delivery model	
Outsource to existing social enterprise, third sector or private provider	<p>The process of outsourcing a council's library service involves the procurement of a third party to deliver the library service on behalf of the council via a contract. The outsourcing of library services may take several forms, including:</p> <ul style="list-style-type: none"> • procuring an existing social enterprise or charity to deliver the service on behalf of the council • procuring local community groups to deliver library services on behalf of the council (with funding, professional library services and back-office support and systems). • procuring another council to deliver the service <p>procuring a for-profit provide to deliver the service on behalf of the council</p>
Ownership	<p>100% third party provider</p> <p>An outsourcing arrangement would conventionally involve a contract between the council and the appointed provider. Typically the council would have no involvement in the day-to-day running of the organisation (or its ownership or governance structures), but would instead be able to influence the way the service is run.</p>
Governance	Arranged via contract. Well positioned to promote co-production
Services	Contracted services delivered on behalf of council(s)
Staff Transfer	Employees of the library service would transfer to the new organisation with their employment conditions protected by Transfer of Undertakings (Protection of Employment) regulations (TUPE).
Use of surpluses	The procured provider is likely to seek efficiencies across the library service's operating model, while also (potentially) identifying areas where income

	<p>generation could be increased. This could lead to the provider realising a profit on the contract.</p> <p>The council should therefore consider the treatment of profit prior to undertaking the procurement process. It may decide to state that any profits realised can be retained by the provider, or that a certain amount should be spent on the library service. Each option will create different incentives for the provider which are likely to have direct implications for the library service.</p>
Procurement Process	Required to deliver the services
Commercial freedom	<p>The council would specify within the contract the level of funding to be allocated to the service (for example the contract value).</p> <p>Depending on the type of organisation that is procured and the nature of the contract, the procured provider may or may not be in a position to generate additional income through the delivery of (non-statutory) services included within the contract and service specification.</p>
Potential Advantages	<p>Due to the large number of outsourcing options available to a council, it is difficult to be specific in terms of the potential advantages and disadvantages that could be realised.</p> <p>The theoretical basis of outsourcing derives from the notion of competition as the driver of efficiency, quality improvement and innovation.</p> <p>Potential benefits associated with outsourcing include:</p> <ul style="list-style-type: none"> • the ability to tap into expertise (for example digital) to deliver an improved service • increased purchasing power, shared systems and intellectual property • savings and efficiencies can be realised as a result of the library service being part of a wider organisation • savings can be underwritten in the contract

Potential Disadvantages	<ul style="list-style-type: none"> • the risk of the council realising ‘stranded costs’ if the outsourced provider accesses their back office support from an alternative provider other than the council. (This concept assumes that the council currently delivers back office services (e.g. HR, payroll, finance, ICT, legal etc.) to the library service. Should the library service procure back-office services from the market, the council may realise a stranded cost if those employees previously delivering back office services to the library service: (i) remain employees by the council; and (ii) are not required to deliver back office support to other services). • risks associated with the provider not fulfilling the requirements of the contract (such as poor performance against contractual requirements) • the risk that the procured provider may not reinvest operating profits back into the library service
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Delivery model	
Joint venture	<p>The term joint venture can describe a range of different commercial arrangements between two or more separate entities. Each party contributes resources to the venture and a new business is created in which the parties collaborate together and share the risks and benefits associated with the venture.</p> <p>A party may provide land, capital, intellectual property, experienced staff, equipment or any other form of asset. Each party generally has an expertise or need which is central to the development and success of the new business which they decide to create together. It is also vital that the parties have a ‘shared vision’ about the objectives for the joint venture.</p> <p>In the case of libraries, a joint venture may involve the council and one or more third party establishing a new entity.</p>
Ownership	Ownership of the joint venture would conventionally be split across each of the parties involved. Typically this would be determined by the appetite of the council to share ownership, and the level of investment and risk taken on by each party.
Governance	Can be designed as required. SLA/contracts as required. Well positioned to promote co-production
Services	Flexible - can be delivered to council(s) and private/Voluntary and Community Sector customers

Staff Transfer	Employees of the library service would transfer to the new organisation with their employment conditions protected by Transfer of Undertakings (Protection of Employment) regulations (TUPE).
Pension	<p>Although not dealt with under the TUPE Regulations, there is a statutory requirement in the UK (issued under the Local Government Act 2003) which provides both that transferring employees' accrued pension benefits are protected and that they are given access to a scheme that is, at a minimum, 'broadly comparable' to the pension rights they had as council staff. The organisation may be in a position to apply for Admitted Body Status, enabling members of the Local Government Pensions Scheme to continue with their pension arrangements. Should the organisation not be in a position to secure Admitted Body Status, a broadly comparable schedule will need to be offered.</p> <p>The new organisation would usually be expected to meet the cost of staff remaining within these pensions schemes.</p>
Use of surpluses	The treatment of surpluses will be determined by the type of joint venture created and the entity's constitution
Procurement Process	Required to deliver the services
Commercial freedom	There are no specific limitations within the joint venture model, although the founding parties may wish to limit the remit of the venture in terms of the nature, scope and scale of services that can be provided. Depending on the legal form assumed, there may be limitations in terms of which services can be delivered and how
Potential Advantages	<p>Due to the large number of joint venture options available, it is difficult to be specific with regards to the potential advantages that may be realised</p> <p>Potential advantages</p> <ul style="list-style-type: none"> • The council can still have some ownership • Commissioning of the service could lead to savings • Flexible structure for a "non-profit distributing" venture
Potential Disadvantages	<p>Due to the large number of joint venture options available, it is difficult to be specific with regards to the potential disadvantages that may be realised</p> <p>Potential disadvantage</p> <ul style="list-style-type: none"> • Agreement on shares split between organisations • Potential conflict of interest for public sector directors, particularly for-profit distributing structures

