



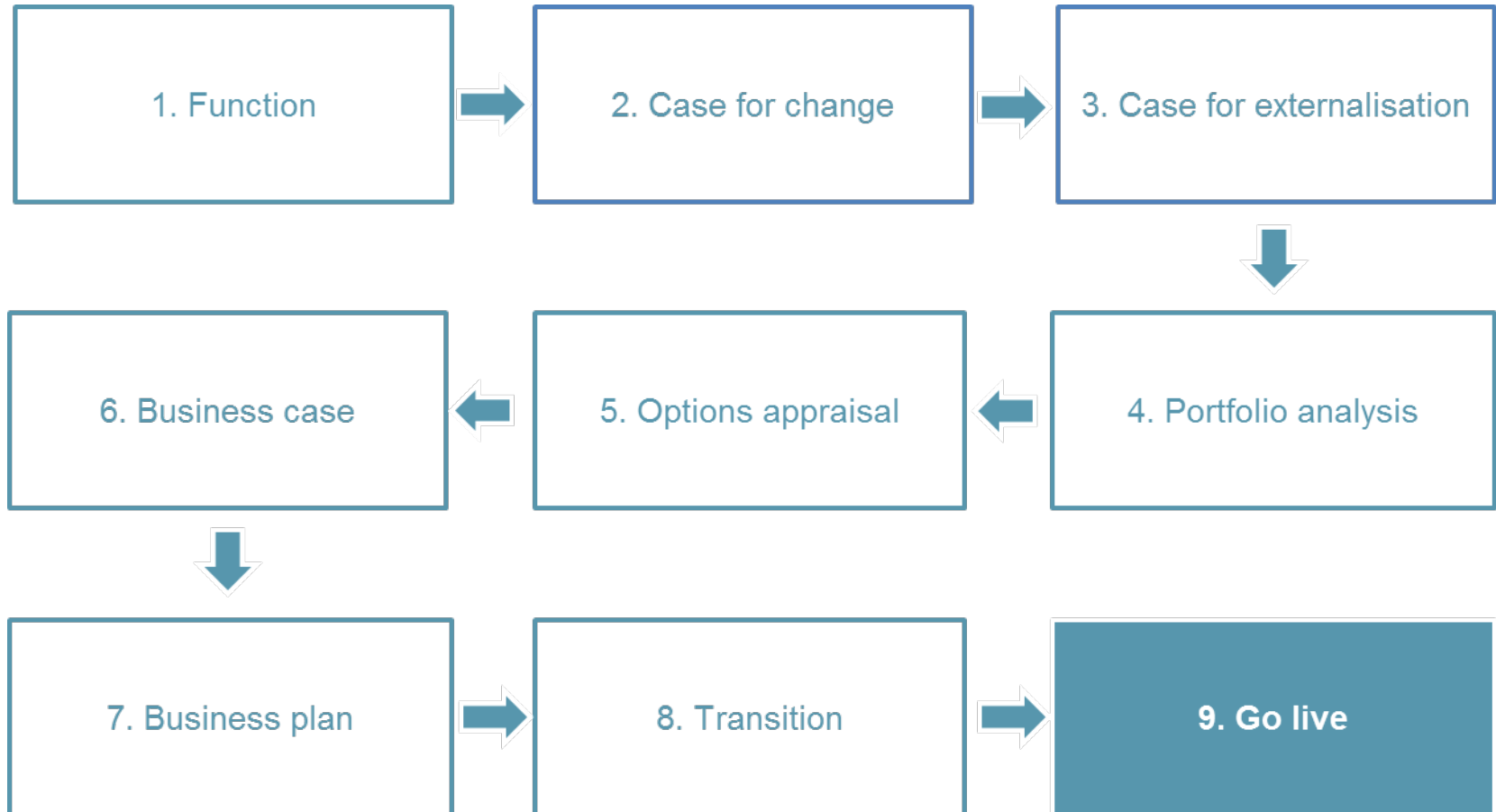
# How do I spin out my service?

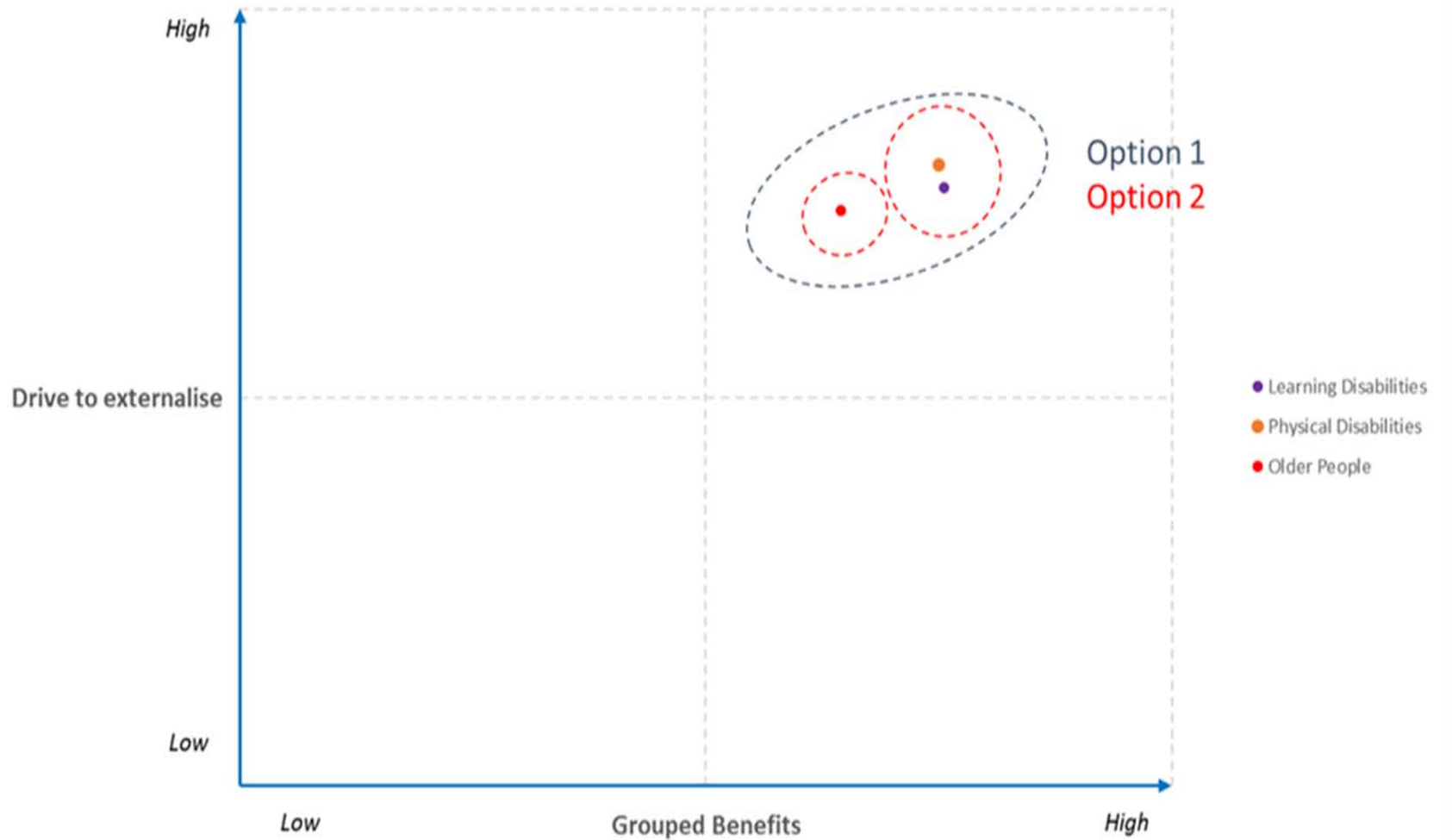
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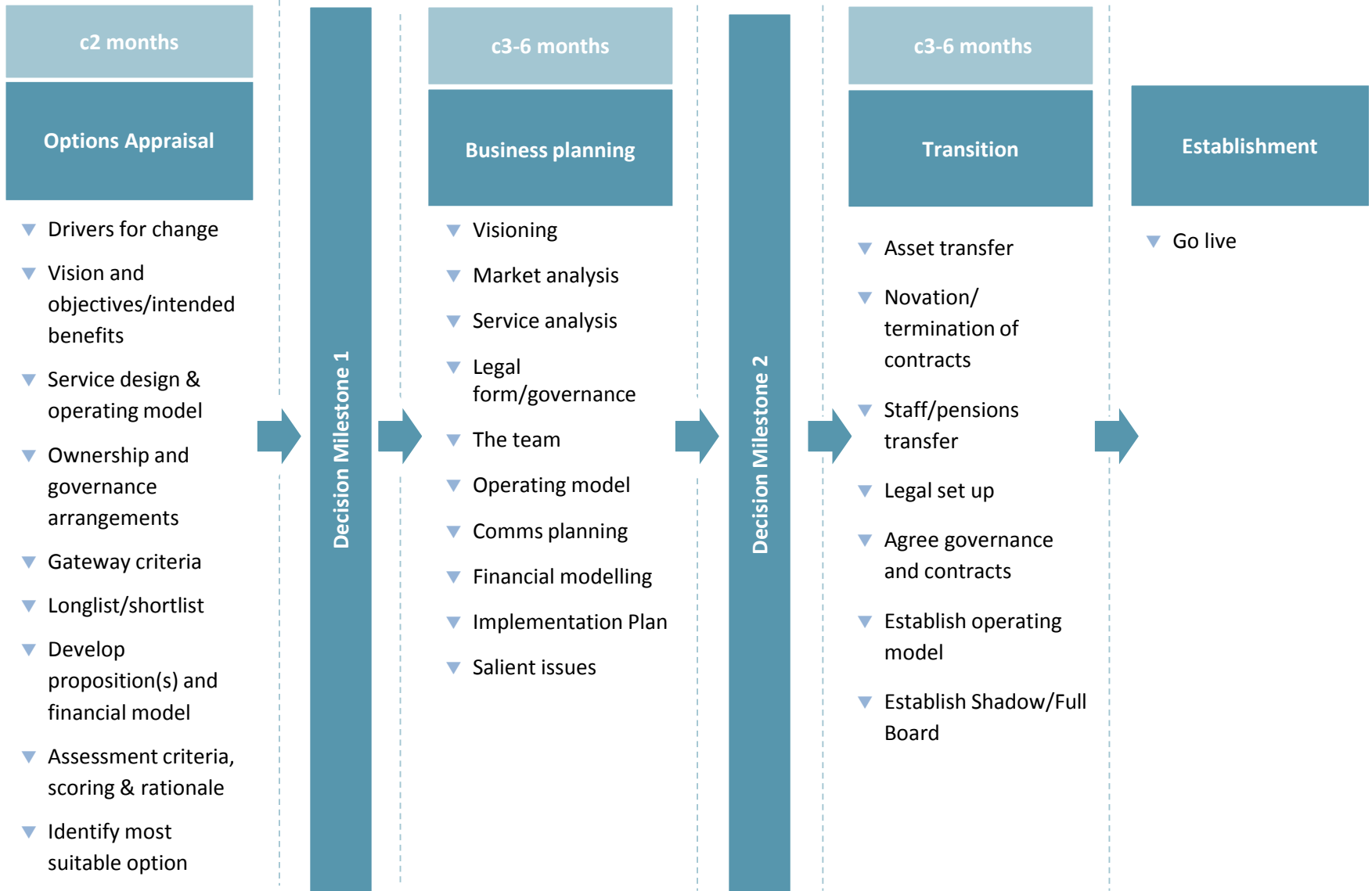
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# The process





# Indicative timescales



# Options appraisal process

## Desirability

*How well does each option meet the objectives and priorities of stakeholders?*



## Viability

*Is the option economically viable and sustainable?*



## Feasibility

*Can the option be implemented & what are the risks – can these be managed?*

## *What is to be tested?*

Identify the criteria that will be applied to each option



## *How important is each criterion?*

Agree weighting to be applied



## *What do good and bad look like?*

Agree scoring mechanism

# Possible criteria (function and governance/ownership)



# Possible criteria (funding etc.)

Use of  
profit/surplus

Potential for  
traded  
income

Potential for  
new  
contracts

Private/  
social sector  
investment

LA funding  
profile

Tax efficiency

Flexibility to  
expand

Pensions

Flexibility on  
support  
functions

Grant income

# Various levels of LA control

- ▼ LA representation on Board
  - **NB** - Charities are required to demonstrate their independence
- ▼ Contractual relationship
- ▼ Service planning regimes
- ▼ Monitoring and review
- ▼ Asset lock



- ▼ Evidence based growth strategy
- ▼ Operating model – reflects growth strategy and savings requirements
- ▼ Asset transfer (including transfer of book stock, buildings, equipment etc)
- ▼ Liabilities (redundancy, pensions, maintenance etc.)
- ▼ State Aid
- ▼ VAT
- ▼ TUPE & pensions
- ▼ Transition funding
- ▼ Transfer of existing surpluses/start up funding
- ▼ Business support services & potential stranded costs to the LA
- ▼ Procurement/commissioning process

- ▼ **'Form' follows 'function'**
- ▼ Staff & elected member **engagement**
- ▼ Understand that work involved is often **'on top of the day job'**
- ▼ Process requires **significant involvement from corporate centre**
- ▼ **Development of clear service specification** by LA
- ▼ Ensure **fair transfer of risk – don't set the new service up to fail**
- ▼ Financial model to be informed by **prudent assumptions**
- ▼ **Undertake sensitivity analysis** to test performance should the underlying assumptions vary
- ▼ Requirement to demonstrate **ability to diversify income streams/reduce dependence on LA contract**

# Why do ADMs fail?

- ▼ Business case, but no business plan
- ▼ Set up with no real buy-in from staff
- ▼ Doing 'more of the same' - overreliance on a single contract & not being commercially focussed
- Lack of commercial acumen & market analysis
- Unfair transfer of risk
- ▼ Assumptions used to underpin ADM prove to be incorrect:
  - Overestimating income/demand
  - Underestimating costs & VAT
  - Underestimating the cost of borrowing
  - Cash flow, particularly during year 1
  - Overestimated efficiencies, including reducing sickness absence
- Change in commissioner intentions

- ▼ Designed to help you consider objectively whether an alternative delivery model is right for your library service
- ▼ Funded by DCMS and supported through the Libraries Taskforce
- ▼ Combines technical expertise with lessons learnt from the 4 libraries mutuals
- ▼ [www.gov.uk/government/publications/libraries-alternative-delivery-models-toolkit](http://www.gov.uk/government/publications/libraries-alternative-delivery-models-toolkit)