

Overview and Scrutiny Committee

Monday, 5th March, 2018

MINUTES

Present:

Councillor Jane Potter (Chair), Councillor Gay Hopkins (Vice-Chair) and Councillors David Bush (substituting for Councillor Matthew Dormer), Andrew Fry, Gareth Prosser, Paul Swansborough, Jennifer Wheeler and Nina Wood-Ford

Also Present:

Councillor Juliet Brunner

Officers:

Ruth Bamford, John Godwin, Jayne Pickering and Dean Piper

Democratic Services Officers:

Jess Bayley

89. LEISURE AND CULTURAL SERVICES BUSINESS CASE - PRE-SCRUTINY

The Executive Director of Finance and Corporate Resources presented the Leisure and Cultural Services Business Case for the consideration of the Committee. During the delivery of this presentation the following matters were highlighted for Members' consideration:

- In 2017 the Council had agreed to establish a TECKAL company, also known as a Local Authority Trading Company (LATC), to manage the Council's Leisure and Cultural Services moving forward.
- Subject to the Leisure and Cultural Services Business Case receiving the support of the Executive Committee and Council in March 2018 a detailed business plan in respect of this item would be presented for Members' consideration in July 2018.
- Officers were working on the basis that the new LATC would be in operation from October 2018 onwards.
- A number of services would be included in the LATC's remit, though not all.

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Chair

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- Some services could potentially transfer to the LATC at a later date including the Arrow Valley Countryside Centre, the BMX Track and the Council's Learning on Line service.
- Officers had been consulting with the Trade Unions throughout the process.
- Officers had made some assumptions regarding staffing and finances; the unions had expressed concerns about some of these assumptions.
- One area of concern raised by the unions was the assumption that any new staff employed by the LATC would not have similar pension entitlements to those members of staff who had transferred to the company.
- A number of staff would be TUPE transferred to the LATC, though some would remain employed directly by the Council where those services were not transferred to the company. It was anticipated that 50 staff would continue to be employed by the Council and 62 would be transferred, together with additional casual staff.
- The Council was assuming that both the LATC and the client side remaining at the Council would need to restructure following the introduction of the LATC and the unions had also expressed some concerns about this.
- Officers were working on the basis that the LATC would need to access Council support services, such as HR and IT, for the first 12 months. However, after this point the company could give notice and seek to obtain these services from another supplier. Again this had been raised as a concern by the trade unions.
- Through the LATC model the Council would retain ownership of land and assets used in the delivery of Leisure and Cultural Services.
- The Council would have influence over the LATC, though would need to refrain from seeking to control the company as this could curtail the potential of the LATC to thrive.
- The Council was anticipating that savings would be achieved through transferring services to the LATC. Some of these savings would arise as the LATC would be eligible to apply for concessions in respect of Non-Domestic Rates (NNDR).
- Officers were also anticipating that the LATC would be able to achieve efficiency savings and income growth. Other local authorities that had established LATCs to deliver similar services had found that staff transferred to the new company would deliver services in a different manner to the way they had provided services when employed by a Council.

Following the presentation of the report Members discussed a number of points in detail:

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- The potential for economies of scale to be achieved by the Council through adopting approaches to procuring services and managing supply scales that differed from the local authority.
- The opportunities that an LATC would provide for staff to work in a more innovative, customer-focused manner free from the constraints of working within a local government environment.
- The need for culture change to occur once the LATC was established in order to foster a working environment in which staff felt able to work differently.
- The implications of the transfer of staff to the LATC for management costs at the Council moving forward. Officers advised that a restructure of the Council's management team was scheduled to take place and this could be taken into account as part of that process.
- The governance arrangements for the LATC.
- The role of a Shareholders Committee in holding the LATC to account. Officers advised that this committee would have the power to determine a number of reserved matters.
- The position of the Board of Directors, comprising both Directors and Non-Executive Directors.
- The service specification for the LATC that would help to outline the Council's requirements.
- The use of a mixture of corporate outcomes and output measures linked to the Council's strategic purposes and operational measures to help monitor the performance of services delivered by the LATC.
- The powers available to the Council to exert influence over the LATC should Members become dissatisfied with the services delivered by the company. Officers advised that there would be a contractual relationship and the LATC would also be required to submit an annual report through which it could be held to account.
- The important role of contractual management moving forward, and the need for positive working relationships to be developed between relevant officers and the LATC. Members were advised that this working relationship would be key to ensuring that the Council continued to retain confidence in the company.
- The arrangements for paying those on the Board of Directors. Members were advised that whilst the Managing Director would be paid it was anticipated that Non-Executive Directors would be provided with expenses only.
- The likely backgrounds of any Non-Executive Directors appointed to the Board of Directors. The Committee was

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advised that the aim would be to appoint Non-Executive Directors who had expertise in respect of Leisure and Cultural Services and private sector experience.

- The physical location in which LATC staff would be based. Officers advised that this had not yet been determined, though staff would continue to work from Council premises and the authority could charge the LATC for doing this at a market rate.
- The potential for additional services, currently out to contract with other suppliers, to be included in the LATC's remit at a later date. Officers advised that opportunities would be assessed on a case by case basis.
- The potential for any savings arising from the work of the LATC to be reinvested in areas such as repair and maintenance of Council assets used in the delivery of Leisure and Cultural Services.
- The potential for the Council to reduce the support it provided to the LATC at a later date and the possible negative impact that this might have on the LATC in terms of staff morale.
- The position of the Managing Director and the potential for existing staff to apply for the role. Members were advised that this post would be advertised externally and subject to open competition; internal staff would be eligible to apply.
- The potential for Parks and Open Spaces to be incorporated into the work of the LATC in the long-term. Officers advised that Parks and Open Spaces were not included in the scope of the service.
- The need for the Council to address its responsibilities to Bromsgrove District Council under existing shared services arrangements, with a restructure of the services that remained in house required as soon as possible.
- The stage by which the LATC would become financially sustainable. Officers advised that the Council was anticipating that £1.9 million savings would be achieved in the first four to five years.

The Committee discussed the composition of the Shareholders Committee in some detail, with Officers advising that this would comprise five elected Members, to be appointed by the Council. These appointments would be made in line with standard Outside Body appointment processes. Members concurred that the elected membership of the Shareholders Committee should ideally reflect the political balance of the Council.

The Committee was advised that at a meeting of the Stakeholders Group, which was supporting work on the development of the LATC, the potential for elected Members to be appointed on a three

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year rolling basis had been discussed. There was general consensus that appointment to the Shareholders Committee on this basis would be sensible due to the Council's system of elections by thirds.

The potential for the Local Authority Trading Company (LATC) to be managed like a business in order to be as efficient as possible was also discussed by the Committee. In order to manage the company as effectively as possible Members noted that the LATC might decide to offer incentives to staff, such as performance related pay or bonuses. The Committee agreed that any such incentives offered as part of staff remuneration packages should ideally be included in the range of matters reserved for approval by the Shareholders Committee. As there was already a section in the business case dedicated to the range of matters reserved for the approval of the Shareholders Committee Members agreed to propose an amendment to the wording in the document to reflect this suggestion.

RECOMMENDED that

- 1) the five elected Members appointed to the Shareholders Committee of the Local Authority Trading Company should be appointed in accordance with the political balance of the Council;**
- 2) the five elected Members appointed to the Shareholders Committee of the Local Authority Trading Company should be appointed on a three year rolling basis; and**
- 3) the range of matters reserved for approval by the Shareholders Committee, as detailed on page 27 of the business case, should be amended so that the fourth bullet point from the bottom reads as follows: "*Approval of above inflation pay increases and any other remuneration packages*".**

(During the debate in respect of this matter the Head of Leisure and Cultural Services declared a pecuniary interest due to his eligibility to apply for the position of Managing Director of the LATC. He left the room and was not present when Members considered information pertaining to this role).