

Report of Chief Officer (Civic Enterprise)

Report to Scrutiny Board (Resources and Council Services)

Date: 29th July 2013

Subject: Civic Enterprise Leeds

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. Proposed scope and remit of Civic Enterprise Leeds.

Recommendations

2. Scrutiny Board is asked to:
 - comment on proposals attached.

1.0 Purpose of report

- 1.1 This report develops the principles of establishing a stand-alone unit, provisionally called Civic Enterprise Leeds (comprising multi department and traded services within Central and Corporate Services). The terms of reference also encompasses providing support and helping shape a strategic direction for services looking at different operating models (including spinning out) and consideration of value for money issues.

2.0 Background information

- 2.1 There are a range of services within Resources Directorate which provide direct services across the Council and trade externally. These include Commercial Services (Catering, Property and Fleet Services, Cleaning and Passenger Transport); the Business Support Centre (providing pension services, recruitment and employee admin, payroll and creditor services), Facilities Management and the Print Unit. These services have a combined turnover of over £90m and employ 4000 staff.
- 2.2 Historically external commercial trading has, in the main part, been marginal. Clients include some schools in neighbouring authorities, the health service, Magistrates Court, West Yorkshire Fire Service, Harrogate Borough Council, social housing providers. Within Leeds, however, services are traded to schools and Almos on a large scale (see 2.4 below.)
- 2.3 A key issue raised by the Commission on Local Government was whether local authorities should reposition themselves in terms of the market for services. Growth in trading turnover and returns offers the authority more resilience and ability in responding to financial pressures, which traditionally are met by reducing staff or services.
- 2.4 In this context, it is worth reflecting on the size of some of the activity currently undertaken. At £6m, and with 70 electricians, the electrical section of Property Maintenance is the largest electrical contractor in the city. The Catering Agency provides services in 200 (80% of all) Primary Schools; serving 4 million meals a year in the open market. The fleet workshop at York Road is the largest facility of its kind in the city, servicing 1400 vehicles a year, with MOT facilities. The Cleaning Agency employs 1,200 staff., and clients include fire stations, schools, Almos and the Council. The Business Support Centre provides a payroll service to 41 employers. It processes 750,000 transactions a year, 400,000 invoices to 13,000 suppliers and 100,000 p.card transactions: more than any other council in the country. Facilities Management manage civic and community building across the council as well as a range of traded services (Print Management, Reprographics, Records Management Facility and City Signs)
- 2.5 Many of these services operate to, or beyond, industry standards, have bespoke software (which supports remote working), operate to international ISO quality standards. All fully recover costs (including capital costs): the majority have operating overheads comparable with private sector partners, which would explain their relative success in the market place.

3 Main issues

3.1 Expanding Commercial Trading

3.1.1 Opportunities exist to develop services with a range of markets –

- the social housing sector
- almos
- the open market
- neighbouring authorities
- other public bodies (fire services, health service etc)
- private individuals who require welfare support (accessible transport, community meals) but don't meet local authority eligibility criteria
- the commercial sector (subject to setting up a trading arm) for specialist property trades, fleet maintenance, commercial catering etc

3.1.2 Developing commercial trading would require establishing a company to do this. This need not require the transfer of staff to the company; in the first instance, the company need only be the vehicle for activity which is traded. It could be wholly owned by the Council, with the Council as sole share-holder. Detailed advice on the potential structure of such a company is being provided by the Head of Property Finance and Technology in Legal Services.

3.2 Commercialising Activity;

3.2.1 In addition to developing new trading opportunities, there is a need to provide a range of support to services which need to commercialise what they do: this may include looking at marketing, full cost recovery, efficiencies in productivity or supply chain management. Such skills don't just exist in the centre: they can be found in direct service provision across the council. A central Enterprise Group could co-ordinate and help develop this resource where business needs require it.

3.3 In House Services and Value for Money

3.3.1 As stated in 2.4 the authority runs a range of direct services on scales which have little precedent in comparable authorities: in Commercial Services , Highways, Street Scene, Parks, Leisure, social care services. This has provided significant opportunities for cost savings over the past three years and contributed much to the resilience of the authority's position.

3.3.2 It is important, in terms of public accountability and transparency, that the authority is regularly assured these services represent value for money for residents of Leeds. It is also important we remain open to how optimally markets may be put together :a great deal of service provision (for example in passenger transport and in social care) is commissioned through a range of in house and external provision, including inputs from the third sector.

3.3.3 It is proposed Civic Enterprise Leeds, with Internal Audit, develops a model of biennial light touch reviews on key in-house services to determine value for

money in terms of both cost and quality. These could be stakeholder driven and form part of the process to improve joint working between in-house service providers and clients; with a focus in the first instance on how the market and charging systems work and may be simplified.

3.3.4 In the first instance, it is proposed these reviews are piloted in Commercial Services with clients.

3.4 Partnering:

3.4.1 Developing commercial and enterprise services provide many opportunities for working with other partners from the commercial, public and third sector to meet market needs: travel buddying for eg is sourced for Children's Services from the third sector; voluntary organisations contract to provide community meals, Property Maintenance themselves sub contract to Mears. Asda has been asked to help with a review of our food procurement. The Hospital Trust buy passenger transport from Commercial Services.

3.5 Civic Enterprise Leeds (CEL)

3.5.1 It is proposed to develop a Group, Civic Enterprise Leeds, which would initially comprise Commercial Services, BSC and the Facilities Management. The group would report directly to the Deputy Chief Executive.

3.5.2 Its remit would be :

To develop an enterprise strategy for the Council which would include

- § detailing current commercial enterprise activity within the council
- § developing an enterprise and commercial growth strategy linked to the council's medium term plan
- § establishing a trading arm: Civic Enterprise Leeds – which would be a vehicle for developing commercial trading opportunities across the City and region.
- § proactively looking at opportunities for developing shared services within other public bodies in the region and developing specific trading opportunities within these bodies.
- § supporting direct services across the Council which have a business requirement to commercialise their services and to fully recover costs.
- § working with Internal Audit to develop biennial 'vfm' reviews of in-house services which include key stakeholders .
- § providing both a corporate framework and support for services within the Council considering ' spinning out.' This would include helping steer issues around staff side consultation, the employee offer and

TUPE. It would also include securing specialist legal, technical and taxation advice.

- § providing medium term (up to 3 years) commercial support for ‘spin offs.’
- § identifying opportunities for strategic partnerships to deliver services in a more enterprising way and signposting appropriate support for such a project (e.g. from PPPU, Legal Services.)

4.0 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Regular engagement takes place with officers looking at ‘spinning out’ options across the council. Advice has also been taken from the Head of Property, Finance and Technology in Legal Services.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 There are no specific issues around equality and diversity, cohesion and integration in these proposals, though individual working strands and proposals will consider them as appropriate.

4.3 Council policies and City Priorities

- 4.3.1 This report develops the proposed strand around Enterprise from the Enabling Corporate Centre review. It has links to the ‘Budget Plus’ sub strand on alternative operating models for service delivery (part of the Organisational Design strand), and also to the Commission on the Future of Local Government.

4.4 Resources and value for money

- 4.4.1 There are no resource requirements to deliver this programme of work. The programme itself has the potential to improve vfm in direct services and develop new income streams to the Council.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 A further paper will be brought forward around the proposal to set up a trading company.

4.6 Risk Management

- 4.6.1 There are no risks inherent in accepting these recommendations; though in terms of employee relations, a proactive discussion with corporate JCC would be helpful. These recommendations reduce risks to the authority around legal challenge in increasing commercial activity, and financial losses from not fully understanding and recovering costs in a trading environment.

5.0 Conclusions

5.1 This report develops proposals set out in the Enabling Corporate Centre review, seeking input into proposed scope and remit of Civic Enterprise Leeds.

6.0 Recommendations

Scrutiny Board is asked to:

Comment on the proposals -

7.0 Background documents¹

None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.