

**CITY AND COUNTY OF CARDIFF
DINAS A SIR CAERDYDD**

**POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE**

10 May 2016

**LOCAL AUTHORITY TRADING COMPANY
COMMISSIONING & PROCUREMENT**

Reason for this Report

1. To provide Members with information that outlines the business case for establishing a Local Authority Trading Company (LATC) for the Commissioning and Procurement service, in preparation for Scrutiny.

Purpose of the Scrutiny

2. To undertake pre-decision scrutiny, considering three options for delivering Commissioning and Procurement through a LATC, prior to consideration by the Cabinet on 19 June 2016.

Background

3. The Council's 2014/15 budget set the Commissioning and Procurement Service a savings target of £307,000, equating to a reduction of around 12 full time equivalent posts. A budget proposal was submitted to deliver £180,000 through service restructure and £160,000 through external revenue via a Local Authority Trading Company (LATC) which would transfer to an Employee Mutual after 3 years.

4. The Council's *Corporate Plan 2015/2017* recognised the need to identify business models that could be established to meet service demand pressures and reflect budget realities, and to identify how services could become effectively commercialised.
5. Attached at **Appendix 1** is the Business Case developed for creating a LATC for the Commissioning and Procurement service. This report sets out the options available to the Council to trade procurement and commercial services.

Issues

6. The Business Case proposes that the Commissioning and Procurement Service will seek to sell a broad range of procurement and commercial services covering advice, guidance and support. It will focus on delivering improved value for the public sector and improving the capability of organisations it works with.
7. The Business Case attached addresses five areas:
 - a. the Strategic Case – *pages 3-8*
 - b. the Economic Case – *pages 9 – 17*
 - c. the Financial Case – *page 18*
 - d. the Commercial Case – *pages 19 – 24*
 - e. the Management Case – *page 25*.
8. The report recognises that an important part of any business case is giving proper consideration to a range of options that can meet the business needs set out in the Strategic Case.
9. As the Strategic Case is predicated on the generation of external revenue and retention of employees the Council has considered the following three options:
 - To continue trading as the City of Cardiff Council, generating revenue by charging public sector bodies for services.

- To create an Employee Owned Mutual which is owned by current Council employees which trades with public bodies and partners with private sector organisations to bid for and deliver services.
- To create a Local Authority Trading Company, generating revenue by charging public sector bodies directly for services and partnering with private sector organisations to bid for and deliver services.

10. The Proposal is made on the basis of:

- Reducing the Commissioning and Procurement budget – initially by £307,000 but potentially to statutory level only.
- Retaining access to experienced and knowledgeable staff.
- Retaining the flexibility to meet demand across a broad range of knowledge.
- Giving staff control over their own future.
- Giving staff the opportunity to develop existing skills and capability.
- Continuing to deliver value for Cardiff and the wider public sector; whilst receiving recognition and reward commensurate to effort and risk, and eventual ownership of an employee mutual.

11. This option would see the creation of a Local Authority Trading Company specifically for trading of procurement and commercial expertise which is wholly owned by the Council. Staff would remain employees of the Council with 'spare capacity' purchased by external customers at 'full cost plus mark-up'.

12. The service would be able to work with private sector clients and recharge at profit. The company is relatively simple and straightforward to establish; there are no conflict of interest issues; it allows a wider range of Council staff to participate in trading activity; and will provide a profit income stream for the Council.

Way Forward

13. Councillor Graham Hinchey, Cabinet Member for Corporate Performance and Resources will be in attendance. Also in attendance will be Steve Robinson, Operational Manager Procurement, and John Paxton, Strategy and Development Manager. Members will receive a presentation and have an opportunity for questions.

Legal Implications

14. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

15. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are

implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to:

- (i) Consider the proposal to create a Local Authority Trading Company for Commissioning and Procurement.
- (ii) Agree any comments and observations it may wish to pass on to the Cabinet for consideration on 19 June 2016.

DAVID MARR

Interim Monitoring Officer

4 May 2016