

Date: 16 May 2016



County Hall
Cardiff,
CF10 4UW
Tel: (029) 2087 2087

Neuadd y Sir
Caerdydd,
CF10 4UW
Ffôn: (029) 2087 2088

Councillor Graham Hinchey,
Cabinet Member, Corporate Services & Performance,
Cardiff Council,
County Hall,
Cardiff
CF10 4UW

Dear Councillor Hinchey,

Policy Review & Performance Scrutiny Committee: 10 May 2016

Please accept my thanks on behalf of the Committee for attending the Policy Review and Performance Scrutiny Committee to facilitate consideration of the Local Authority Trading Company for Commissioning and Procurement (C&P). Please also pass our thanks to your officers who supported the pre-decision scrutiny. The Committee notes the proposal to create a trading company will provide the Council's C&P service with permission to trade with private sector partners, and has asked me to pass on the following comments and observations.

In responding to our question as to what rewards the creation of such a company might offer staff, you were clear that the Council's prime motivation for creating a trading company is staff development, greater control of the future for staff involved in delivering the service, and the retention of broad expertise. We are less clear what form staff recognition will take, having heard that you will look at reward in the wider context of commercialisation.

We note that a saving of £160,000 on the C&P salary budget equates to approximately two posts, totalling 550-600 days less per year available to the Council, and take your point that this is preferable to losing all access to expertise. We are pleased to hear trade unions have been involved in the proposals and they have been fairly supportive.

The Committee is pleased to hear that staff will account for time worked on private contracts and wishes to reiterate the need for those staff involved to be using a specialist commercial time recording programme, rather than a Council-designed spreadsheet.

Members remain a little concerned that there will be less C&P support available to Directorates and are reassured that technology will be available to enable Directorates to take on an element of monitoring procurement contracts themselves.

The Committee welcomes the opportunity the proposal offers for developing a graduate programme in collaboration with higher education partners to future proof the C&P service.

We note that the order book for C&P services is full for the forthcoming six months, that there is a lot of commercial expertise you have access to, and your conviction that private sector companies will buy into the service. We are therefore seeking reassurance that the decision to go ahead with creating a trading company is not required *because* the Council already has the work. Members wish to reiterate the importance of factoring all overheads into the financial projections, and of ensuring that appropriate accountancy arrangements are in place.

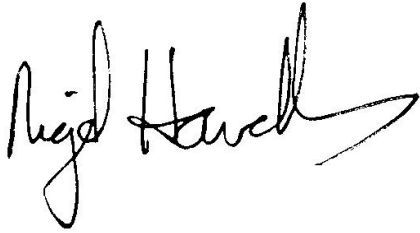
The Committee acknowledges your proposal that there should be no Member involvement in the Board of the trading company. We note you have sought advice from other organisations taking this route, who indicate there is often no Member involvement simply for speed of response purposes. You did, however, indicate there would be feedback to Cabinet from time to time, and the Committee wishes to reserve the right to have sight of such Cabinet reports, and to request briefings on the company's progress if appropriate.

Members observed that a 1% decrease in the Council's spend of £360m would more than deliver the savings aspired to, however overall the Committee accepts that the proposal to create a trading company is a good way forward for the Council; this view is based on diminishing delivery of services by the public sector, resulting in a lesser need for public sector procurement.

To recap, the Committee:

- is unclear what form staff recognition will take having heard that you will look at reward in the wider context of commercialisation;
- reiterates the need for those staff involved to be using a specialist commercial time recording programme, rather than a Council-designed spreadsheet;
- reiterates the importance of factoring all overheads into the financial projections;
- reiterates that appropriate accountancy arrangements must be put in place;
- reserves the right to have sight of Cabinet reports and to request briefings on the company's progress if appropriate.

Once again on behalf of the Committee, please pass my thanks to all who attended PRAP Scrutiny Committee to brief Members.



Yours sincerely,

**COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc Members of the Policy Review & Performance Scrutiny Committee
Christine Salter, Corporate Director Resources
Steve Robinson, Head of Procurement
Claire Deguara, Cabinet Office