

# REPORT FOR DECISION



<b>DECISION OF:</b>	<b>CABINET</b>
<b>DATE:</b>	<b>8 APRIL 2015</b>
<b>SUBJECT:</b>	<b>FUTURE SERVICE OPTIONS FOR SOCIAL CARE PROVIDER SERVICES</b>
<b>REPORT FROM:</b>	<b>DEPUTY LEADER OF THE COUNCIL AND CABINET MEMBER FOR HEALTH AND WELLBEING</b>
<b>CONTACT OFFICER:</b>	<b>Kat Sowden, Head of Workforce Modernisation 0161 253 5406 <a href="mailto:k.e.sowden@bury.gov.uk">k.e.sowden@bury.gov.uk</a></b>
<b>TYPE OF DECISION:</b>	<b>KEY DECISION</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	Main report in the public domain  Business Plan supplementary document is exempt pursuant to Paragraph 3 Schedule 12A Local Government Act 1972 (as amended), namely, information relating to the financial or business affairs of the Council
<b>SUMMARY:</b>	<p>The report follows an earlier decision from Cabinet (21 January 2015) to develop a business plan for establishment of a local authority trading company as a vehicle to deliver a range of adult social care services currently provided in-house.</p> <p>The report is accompanied by a detailed business plan and recommends proceeding to establish a Local Authority Trading Company for these services.</p> <p>The Council will continue to fulfil its duties to safeguard those who are most vulnerable whilst targeting the resources the Council will have available from 2015/16 onwards.</p>
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<p><b>1. Establish a Local Authority Trading Company</b> The services would be developed into a new organisation wholly owned by the Council but</p>

	<p>separate to it. Customers and staff would transfer into this new organisation.</p> <p><b>2. Do Nothing</b> Savings would not be achieved and would have to be met elsewhere within the Council. Alternatively the options of closure or privatisation considered and dismissed 1 October 2014 would need to be re-considered.</p> <p><b><u>Recommended Option</u></b></p> <p><b>1. Option 1 Establish a Local Authority Trading Company</b></p>
<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	Do the proposals accord with the Policy Framework? Yes
<b>Statement by the S151 Officer: Financial Implications and Risk Considerations:</b>	<p>The services in question have already experienced significant cuts, and more will be required in 2015/16 and beyond.</p> <p>Benchmarking has highlighted that the costs of the service are high compared to other providers.</p> <p>Maintaining the current service design is not financially sustainable going forward, and the service will be unlikely to adapt to meet the increasing demands of customers.</p> <p>A range of different delivery options have been considered, balancing financial return with staff and customer impact. Another important factor is the extent to which the Council can continue to influence and control provision / standard of services going forward.</p> <p>As a result of this option appraisal, the "Local Authority Trading Company" (LATCo) was identified as the preferred option.</p> <p>This report now presents a business case / delivery plan for the LATCo.</p> <p>The business case highlights that an initial injection of working capital is required to kick start the LATCo, and that the LATCo will reach a breakeven position after 3 years.</p> <p>It is intended that the Council will make the working capital available on an "invest to save" basis; fully funded after 6 years.</p>

	Prudent assumptions have been made in respect of future costs and additional business for the LATCo and performance will be monitored closely through the governance arrangements outlined in the report.
<b>Health and Safety Implications</b>	The recommendation does not present any health and safety issues in respect of physical demands. Health and safety matters would continue to be managed in the same way as currently within the services concerned.
<b>Statement by Executive Director of Resources and Regulation (including Health and Safety Implications)</b>	<p>The report outlines wider resource implications e.g. workforce and property issues.</p> <p>Operational plans are being developed in respect of data / IT systems, and transfer of other assets (e.g. equipment); this will be completed in line with the implementation plan, ready for an October launch.</p>
<b>Equality/Diversity implications:</b>	Yes (see paragraph below)
<b>Considered by Monitoring Officer:</b>	<p>Yes <span style="float: right;">JH</span></p> <p>Under the legislative framework, trading is only exercisable through a company. The power to establish a Local Authority Trading Company derives from The Local Government (Best Value Authorities) Power to Trade Order 2009 (the 'Trading Order') which was made under sections 95 and 96 of the Local Government Act 2003. Under this Order the Council is able to carry out its ordinary functions but on a commercial basis. The Trading Order provides that a business case be prepared before the Council can exercise this trading power. This has been developed and the Business Plan is attached to this report. An appropriate draft governance structure for the LATCo has also been developed.</p> <p>The legal implications are set out in this report and the Business Plan.</p> <p>With the establishment of a Local Authority Trading Company, a new legal entity is created under the Council's ownership.</p>
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	

**TRACKING/PROCESS**

**DIRECTOR:**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	Deputy Leader of the Council and Cabinet Member for Health and Wellbeing		
Scrutiny Committee	Cabinet/Committee	Council	
	8 April 2015		

## 1.0 Background

### ***The Services***

- 1.1 This report is concerned with a group of adult social care provider services currently delivered in-house. The services concerned are Short Stay (Elmhurst and Spurr House), Shared Lives, Supported Accommodation (Community based), Day Services for Older People (Grundy, Pinfold), Day Services for Physical Disability (ReStart at Castle Leisure), and Day Services for Learning Disabilities (various community bases).
- 1.2 The budget for the services concerned was £12.4 million gross in 2014/15.
- 1.3 The majority of this budget funds the 286 FTE staff (approx 400 people) who work in these services.
- 1.4 108 customers are supported by Supported Accommodation 22 customers are supported by Shared Lives, and 192 customers are supported in Learning Disability and Physical Disability Day Services. There are 75 places per day at Grundy Day Centre, 40 customers per day at Pinfold Lane Day Centre, and 58 beds available per night in short stay. The older people's day service and short stay are accessed by a large number of customers on a flexible basis at around 80% occupancy or more dependent on the service area and seasonal variations.

### ***Why things can't stay the same***

- 1.5 Savings achieved by these services in the past 3 years equate to more than £1.4 million. A further £450k reduction is targeted to be achieved in 2014/15.
- 1.6 The Council is required to reduce cost by £16 million in 2015/16 with potential for similar levels of cuts thereafter.
- 1.7 The services concerned within this report are targeted to achieve a saving of £1.2m in 2015/16.
- 1.8 Despite the reductions achieved over recent years the in-house services are still provided at significantly greater cost than external providers. Work undertaken around establishing unit costs for the services in 2013/14 has indicated that external providers are on average 60% of the cost of equivalent in-house services.
- 1.9 The level of saving that would be required in 2015/16 could not be achieved without making a significant change to the service. As the majority of the budget is allocated to staffing this would mean a reduction in staff. However,

customers still need to receive a service and there is no capacity to deliver the service with reduced staffing. Therefore if the saving was to be achieved in this way it would mean that to achieve £1.2m of savings there would have to be an assumption of £720k costs of the care being provided by a different provider (60% assumption for external provision). Therefore the full saving required would be approximately £1.92m which on an average salary of £15k equates to 128 job losses (32% of the workforce in this area). The savings achieved would need to be further offset by one off costs of redundancy or alternatively if staff transferred under TUPE to a new care provider for example, this may impact the contract price increasing costs further.

- 1.10 Demand for social care is rising due to demographic and lifestyle pressures and this means that budget allocated for social care services not only needs to reduce to enable Council budget pressures to be met, it also needs to be able to accommodate increased demand.

***Previous reports to Cabinet***

- 1.11 A report was considered by Cabinet on 16 July 2014 which outlined three options for the future of these services; Closure of some services; Externalisation of services; Developing an Alternative Delivery Model. The report made a series of recommendations:
- i. Proceed to seek staff and employee representatives' views on all of the possible options
  - ii. Proceed to consult with customers, carers and families on all of the possible options
  - iii. Identify any potential external funding that could be relevant
  - iv. Undertake further work including identifying issues in relation to legal form, governance and procurement
  - v. Establish a project board to oversee the work undertaken
  - vi. Endorse the proposed approach and project milestones
- 1.12 A report was considered by Cabinet 1 October 2014 which reported back on staff and customer/family feedback on the three options and the work that had taken place to date in respect of the project. The report made the following recommendations:
- i. To confirm the Option 3 Development of an Alternative Delivery Model as the preferred option.
  - ii. To agree to the next phase of work to establish the business plan for the potential new organisation and the form to be taken to deliver this.
  - iii. To continue to involve, engage and consult with stakeholders in respect of development of the model.
  - iv. To continue to engage with the Cabinet Office Mutual Support Program in respect of support available to proceed with Option 3.
- 1.13 A report was considered by Cabinet 21 January 2015 which reported back on the work completed at that point. The report made the following recommendations:
- i. To confirm the vision and purpose of the proposed organisation.
  - ii. To confirm the preferred option as Local Authority Trading Company model.
  - iii. To approve the next phase of work including procurement of support to develop the business plan and implementation of the interim staffing arrangements.
  - iv. To approve the timescales for the next phases of work including the proposal for final sign off at Cabinet 8 April 2015.

## **2.0 Work completed in this phase**

- 2.1 Independent consultants have been appointed to work on the detailed business plan. The consultants are a collaboration of Stepping Out, an organisation which supports transformation into alternative delivery models, Optalis, a local authority trading company who spun out of Wokingham Borough Council and who have been operating for 4 years now, and Anthony Collins solicitors. Their work has involved reviewing the work completed to date and then developing the detailed financial plan in consultation with relevant officers; testing out the underlying assumptions which the financial plan is built on; advising based on experience of the LATCo model in operation; supporting the development of the proposed governance arrangements; refining the proposed management structure; and development of a transition plan and project plan for the next phases of work which would be required if agreement is given to proceed to establish a Local Authority Trading Company.

## **3.0 The Local Authority Trading Company Model**

- 3.1 The report of 21 January 2015 outlined the key characteristics of a Local Authority Trading Company and explained that such an organisation would be established under the 'Teckal exemption'. In summary 'Teckal' refers to a piece of European Union case law allowing Councils to transfer services into external entities over which the Council retains the power of decisive influence and then award council contracts to the "Teckal" entity, without having to follow competitive tendering rules and procedures. To qualify for "Teckal exemption", the Company has to carry out the essential part of the activities with Bury Council. The LATCo will only fall within the Teckal exemption where it meets both the "Control" and "Function Tests." This is achieved by the Council wholly owning the organisation, having this reflected in the governance structure, and at least 80% of the organisation's activity must be for the Council. Whilst the Council would have 100% ownership, the LATCo will have an Executive Board who would have a legal responsibility to act in the best interest of the organisation. Proposed arrangements are outlined in the section on Governance.

## **4.0 The Business Plan**

### **4.1 Vision and Purpose**

It is proposed that the vision for the organisation have a number of principles at its heart:

- Staying Well - taking a holistic approach to the person being supported to consider all areas of their life and where signposting or support outside of traditional social care areas may benefit health and wellbeing.
- Whole Family – seeing the person being supported in the context of their natural network i.e. family and carers, in order to identify solutions which meet needs most effectively.
- Enablement – maximising people's ability to be as independent as possible.

- Personalisation – being flexible and responsive to enable people to live the life they choose and to structure any support to allow this rather than people fitting in to what is on offer.
- Quality – maintaining a focus on quality services and our good reputation.
- Healthy Lifestyles – embedding healthy lifestyles into the ethos and culture of the services we provide and the staff we employ. Maximising the opportunity that we have to influence people to make healthy lifestyle choices such as physical activity, eating well and mental stimulation which are key to early intervention and prevention.

It is proposed that the new organisation would bring something unique to the market place as a provider with a public service ethos focused on quality and added value, whilst also being a good and ethical employer of choice.

#### 4.2 **Added Value**

In addition to the services currently provided the vision for the organisation is to provide added value to the Council. The vision is proposed to achieve this by reducing dependency, working with people to have healthier lifestyles which keep them well for longer, providing additional services such as carer support and extra day care opportunities. In addition, the organisation would propose to provide support to a wider group than currently, enabling personal budget recipients and people who self fund to access support who are not eligible under Fair Access to Care Services (FACS) criteria. This enables work to be undertaken at the early intervention and prevention stage which should impact by reducing the number of people who become dependent on social care and health services over time.

#### 4.3 **Growth/ New Business**

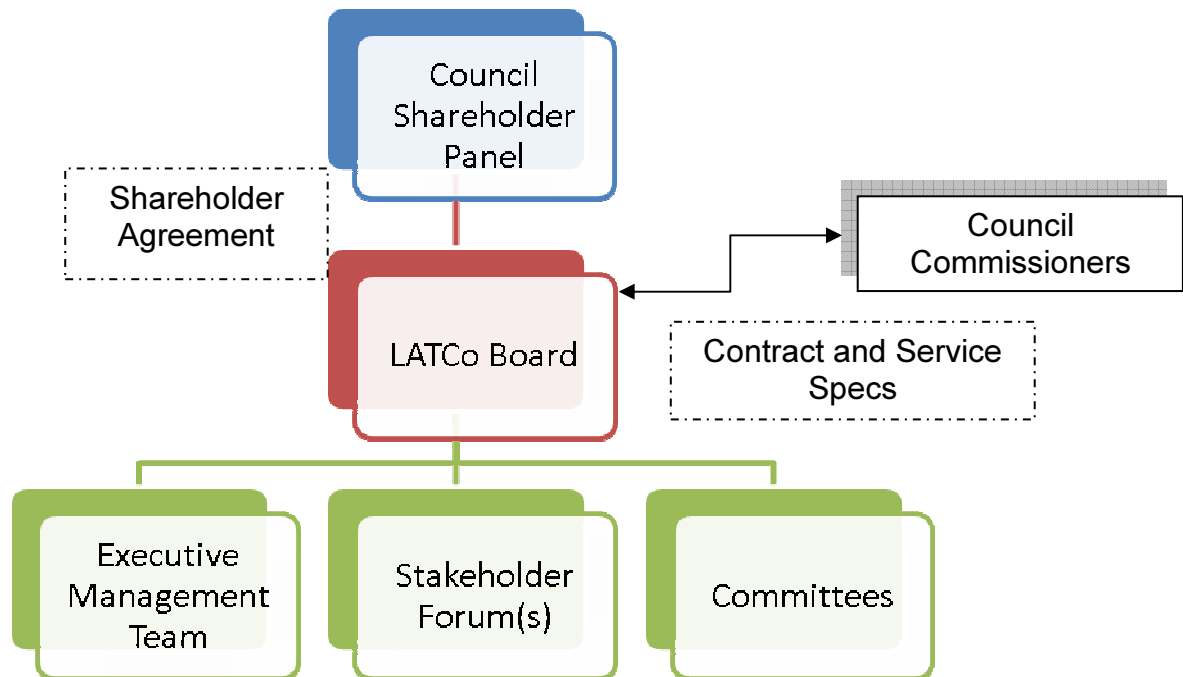
The LATCo will be able to trade in the open market and charge for certain services that currently in-house provider services cannot do. This ability will allow the LATCo to market and sell its services to customers including personal budget direct payment holders (which at present the law prevents local authorities to do so) and self funders. The LATCo will also be able to sell services to other commissioners, such as the NHS or other local authorities.

Beyond the substantive contract with the Council it is proposed that the organisation should seek to secure new income. Assumptions for new business within the financial plan are modest on the basis that personal budget holders and self funders will be the main source of new income and each of these are individually commissioned. Growth could be based on existing services or through the development of new services designed to tackle gaps within the market. There is no assumption of growth in income from the Council as the commissioner at this stage. There is also no assumption that in the initial years significant contracts could be competed for with other commissioners as the organisation would not have the commercial track record required to compete within the market in the early years of its existence.

#### 4.4 **Governance**

Shareholder governance is essential in order to ensure that the Council, who is the 100% shareholder, is strategically in control of the LATCo and thereby meets the requirements of the TECKAL exemption (i.e. the need for the Council to exert control and influence over the company). However, this needs to be balanced with the need to enable the LATCo to develop as an organisation and a business. The following proposed governance model has been designed with

the intention of making a clear distinction between the role of the Shareholder and that of the LATCo who is entrusted to deliver services on their behalf.



The Shareholder will hold the LATCo accountable through the Council Shareholder Panel. This panel is proposed to be made up of the Cabinet Member for Health and Wellbeing, three Elected Members, the Director for Adult Social Services (DASS) (currently the Executive Director Communities and Wellbeing), and the S151 officer (currently the Assistant Director Resources and Regulation, Finance). The role of the panel will be to act on behalf of the shareholder to scrutinise the LATCo in respect of performance against the business plan and financial plan. The Shareholder Panel will have certain retained decisions, for example appointments to the LATCo Board.

The LATCo Board will be responsible for the strategic direction of the LATCo and will report back to the Shareholder Panel in respect of performance. This Board is proposed to comprise Executive Directors of the company; Managing Director, Finance Director and Operations Director. There will also be two Non-Executive Directors. The Non-Executive Directors will be appointed based on their commercial expertise and ability to complement the skills, experience and knowledge of other Board members and fill any expertise gaps. One of the Non-Executive Directors will be an Elected Member of the Council. The final Board position is that of staff representative. This position will ensure that the workforce have a key role in the operation of the organisation, recognising that this is a people business. The Board will be co-ordinated by an Independent Chairperson.

The LATCo Board will put in place whatever committees, management teams and stakeholder forums it deems necessary to effectively manage its business. It is expected that these include those necessary to establishing and maintaining effective relationships with trade unions.

A Shareholder Agreement is proposed to be in place between the Shareholder and the LATCo. This will contain details of retained and delegated decision making powers.

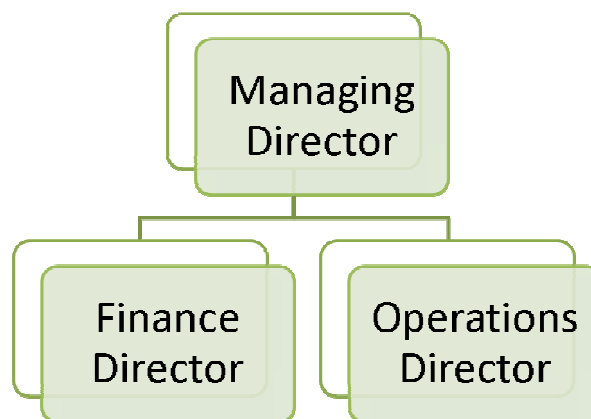


The LATCo will also have relationships with the Council beyond the Shareholder as detailed below:

- Commissioners – The LATCo will be commissioned by the Council for the services it provides to it. This relationship will be governed by contracts for services and under pinned by service specifications. The initial contract is proposed to be 5 years with a review at the 3 year point (3 years plus 2 years).
- Support Services – The LATCo will be buying back certain support services such as IT. This buy back relationship where the LATCo is the recipient of a service provided by the Council, will be governed by service level agreements.
- Traded Services – The LATCo will be buying back certain traded services such as transport, security, and grounds maintenance. This buy back relationship where the LATCo is the recipient of a service provided by the Council, will be governed by service level agreements.
- Tenant – The LATCo will be the tenant on 9 Council owned properties. This relationship will be governed by separate leases.

#### 4.5 **Structure**

The Executive Management structure for the LATCo is proposed to be as follows:



Where appropriate the Executive Management structure is proposed to be populated with staff who transfer under TUPE. There are some posts where this will not be possible and these are accounted for within the financial plan as investment costs. These will be recruited to during the transition phase.

#### 4.6 **Support Services**

It is proposed that the LATCo should have its own Human Resources and Finance sections. The reason for this is that these areas are so critical to the effective operation of the business that they need to align fully with the organisation's function and purpose and be part of its culture. They also need to evolve to be suitable for a commercial business. For example, accounting practice in a commercial organisation is different to that of local government. The Business Plan recognises this gap in the skill set by investing in the creation of the Finance Director post.

Operational HR and Finance arrangements need to be examined further and the next phase of work will determine what resource, financial and/or workforce, should transfer to the LATCo. Where this involves the transfer of staff the TUPE regulations and formal consultation will be applied. An overriding principle is that the arrangement should be neutral from a budget perspective to both the Council and the LATCo.

In respect of other support and traded services for which there is a recharge, the next phase of work will determine whether these are required in the future and the most appropriate means of facilitating this. Options include transfer of financial resource and/or workforce, or 'buy-back' from the Council under a specific service level agreement. Once again, the principle should be that the arrangement is neutral from a budget perspective to both the Council and the LATCo.

#### 4.7 **Commissioning/Contracting**

It is proposed that the initial contract for services between the Council Commissioner and the LATCo be for 5 years with a review point at 3 years to consider extension to the full term (3 years plus 2 years). The contract would be managed and overseen by the Council's contracts teams within Communities and Wellbeing, including contract compliance and quality assurance. The contract will be underpinned by detailed service specifications for the services delivered.

It is proposed that the LATCo work towards a unique partnership with the Council where it can act as Provider of Choice but also Provider of Last Resort. This will enable the Council as commissioner to retain a greater level of resilience in managing the social care market.

#### 4.8 **Workforce**

It is proposed that the workforce of the LATCo will be established in the first instance through the transfer of staff from the Council. The transfer arrangements will fall within the scope of the TUPE Regulations. The Council remains liable for any loss arising from acts or omissions prior the transfer with the LATCo taking responsibility for salary and pension arrangements for staff post-transfer.

The staff who are 'within scope' of the transfer are those that are involved in the management and delivery of services described at 1.1 above. In addition, there may be small numbers of staff in support services who would also be identified as 'in scope' during the transition planning stage.

The application of the TUPE regulations will mean that whilst the employer will change from Bury Council to the LATCo, all other terms and conditions of employment will be unchanged at the point of transfer. The TUPE regulations effectively protect the terms and conditions of transferring staff unless, and until, the new employer consults with staff appropriately to bring about changes. It should be noted that the financial plan is based on the assumption that terms and conditions for staff that transfer under TUPE **will not** be altered.

Prior to the transfer of staff taking place, a phase of formal consultation will take place to inform and consult Trade Unions, and transferring staff, about any 'measures' that the LATCo may propose to take in relation to the transferring workforce post-transfer. This usually takes place for a period of 28 days.

It is proposed that the organisation operate on the basis that any employees that the LATCo recruits to employment will be on different terms and conditions to the staff that transferred under TUPE. Trade Unions have raised concern that this effectively creates a two tier workforce. However, this will be necessary to

enable the financial outcomes required in the Business Plan. The LATCo would still strive to be an employer of choice and would therefore propose to pay at or above Living Wage and to provide a pension which is comparable within the market.

The Best Value Authorities Staff Transfers (Pensions) Direction 2007 applies to situations where services are contracted out and staff transferred from one employer to another under TUPE regulations. The Direction sets out that the employee has the right to acquire pension rights that are the same as, broadly comparable to, or better than those that he or she had as an employee of the Local Authority. The LATCo will therefore apply for Admitted Body Status within the Local Government Pensions Scheme meaning that existing members can continue their membership of the scheme. It is proposed to put in place a pooled arrangement with the Council and for the scheme to be closed to new entrants to the LATCo.

The LATCo will be responsible for the development and training of its employees but will be able to access training via the Council's training partnership which supports social care providers within Bury.

#### 4.9 **Property**

The LATCo will require the use of the Council's existing day care and short stay premises and these comprise:

Pinfold Day Centre, Pinfold Lane, Whitefield  
Grundy Day Care Centre, Wellington Road, Bury  
Elmhurst, Whalley Road, Whitefield  
Spurr House, Pole Lane, Unsworth  
Sunnybank Community Centre, Sunnybank Road, Unsworth  
Elton Community Centre  
The Green, Clarence Park, Bury  
Core Base, Hoyles Park, Bury  
Core Base, Bolton Road Park, Radcliffe  
Wheatfields Day Centre, Victoria Avenue, Whitefield (to be decommissioned 2015/16)

In addition, Council owned premises are currently being considered for a further site in Prestwich/Whitefield.

A company office base is proposed to be created within Grundy Day Care Centre and this will ensure that monies are not lost to the LATCo/Council through paying rent to the private sector, or public sector partners.

It is proposed that the general principle to be followed in granting leases of the various buildings is that each transaction will be budget neutral to both the Council and the LATCo. In this manner, while market rents will be charged by the Council, the service management fee charged by the LATCo will, in turn, include a sum to cover the rent. Similarly, the LATCo will take on the responsibility for repairing and maintaining the various buildings and to pay Business Rates, but will also have the existing budgets to cover these costs.

The premises will be leased to the LATCo for a period of time commensurate with the service contract, i.e. five years. Both the LATCo and the Council will have the ability to unilaterally terminate all of the leases at the end of Year 3, subject to the service of six months' prior notice. The LATCo will solely have

the ability to bring any of the leases to an end at any time during the five year period, subject to the service of nine months notice.

#### 4.10 Financial Plan

The services concerned within this report are targeted with reducing the existing cost by £1.2m in 2015-16. The existing direct cost of the services is [£11.3m]. Whilst the service have initiated and proposed a number of cost reduction initiatives to work towards this target, it is clear that these alone will not be sufficient to meet the £1.2m target, either in the short or long term. The introduction of the LATCo model provides the opportunity to deliver further cost efficiencies, and new business growth, which will allow the target to be met in the medium term. This is shown in the diagram below:

Bury LA		2015-6	2016-17	2017-18	2018-19	2019-20	2020-21
		Apr - Mar	Apr - Mar	Apr - Mar	Apr - Mar	Apr - Mar	Apr - Mar
Annual Budget Profile		Yr 1	Yr2	Yr3	Yr4	Yr5	Yr6
		£'000	£'000	£'000	£'000	£'000	£'000
Income		10,100	10,302	10,508	10,718	10,933	11,151
Costs		-11,300	-11,502	-11,708	-11,918	-12,133	-12,351
Cost reductions		430	1,100	1,550	1,800	2,000	2,100
Cost investments		-200	-400	-450	-500	-500	-500
New Business - existing services		0	25	50	100	250	350
New Business - LA Commissioned		0	0	0	0	0	0
Result		-970	-475	-50	200	550	750
Cumulative position		6 years		5			

The summarised position shows that the budget saving of £1.2million will be achieved in 2015/16. In addition, by Year 7 the LATCo is projected to deliver a net overachievement of £750,000 pa (i.e. a net saving of £1.95m pa from the current position).

In order to achieve this, a working capital of £1.5 million is required on an 'invest to save' basis. It is proposed that this be facilitated from reserves and the financial plan indicates that this would be fully repaid by the end of 2020/21 (6 years). Such an approach is in line with how other LATCo projects elsewhere in the country have been undertaken and the investment return is good with a relatively short period for return on investment. Essentially supporting the LATCo in the early years will allow the Council to benefit in the medium to long term as the organisation becomes stable and profitable. It also provides a potential tested model for other services which may benefit from development in a similar way. It is proposed that the detail of this arrangement be formalised in an agreement which will form part of the governance arrangements between the Shareholder and LATCo Board.

It should be noted that this is considered to be a 'base case' projection. In particular there is no future new business income included from additional work that potentially could be commissioned from within the Council, which could be transferring services currently provided by other external providers, or delivering new services commissioned by the Local Authority. These areas have proven to have been key sources of new business in other local authority LATCo models.

## **5.0 Stakeholder Engagement**

- 5.1 During the earlier phases of work staff and customer engagement has been a key feature and has involved regular drop in sessions and road shows to brief stakeholders and gain feedback.
- 5.2 Unison has been engaged in the progress of the work and attends the Project Board.
- 5.3 In the next phase of transition planning it is proposed to develop a full stakeholder engagement plan which will allow a range of stakeholders including staff, customers and carers to influence decisions about the detail of the creation of the LATCo. These would be intended to provide the foundations and basis for the establishment of effective stakeholder forums for the new organisation.

## **6.0 Equality and Diversity**

- 6.1 The equality analysis identifies that in respect of customers, people with disabilities, older people and carers are groups which would be affected by changes within these services. In addition, for older people's short stay female customers are significantly higher than males. Customers should experience no change to their service as a direct result of creating a LATCo. In the longer term any impact should be positive as a result of creating a more sustainable solution for service delivery which is specifically aimed at supporting people in these groups and is available to a wider number of people than currently. The proposal to create stakeholder forums for customers and carers would be positive in terms of the opportunity for an increased level of involvement and influence that these groups would have in the operation of the organisation.
- 6.2 The equality analysis in respect of staff identified that the workforce in this areas has a significantly higher number of females than males. Figures are similar to that of the Council as a whole. Overall alternative delivery may be unsettling for staff but it avoids large scale redundancy and should be a more sustainable option in terms of retention of employment. It may pose some risk in respect of Equal Pay as the new organisation would be deemed an 'associated employer'. This should be born in mind in the future workforce planning and strategy of the organisation. The proposal to create stakeholder forums for staff and to have a staff representative on the LATCo Board would be positive in terms of the opportunity for an increased level of involvement and influence in the operation of the organisation.

## **7.0 Risk**

- 7.1 A Local Authority Trading Company model is not without risk. A risk register has been completed as part of the business plan and provides a detailed account of the potential risks to the Council, to the LATCo, and also the risk

attached to maintaining the status quo. The risk register will be regularly reviewed and updated during the transition phase of work. Once the Shareholder Panel is in place the risk register will be owned and managed by this group whilst the LATCo will own and manage its own operational risk register.

## **8.0 Project Plan and Milestones**

8.1 The overall project milestone has been amended as follows:

### **Phase 4: 9 April 2015 – 30 September 2015**

- Project management and transitional arrangements for implementation
- Shadow operation
- Regular communication with stakeholders and progress reports

### **Phase 5: 1 October 2015**

- Go-Live
- Post launch review

8.2 Transition and implementation is a significant undertaking and a detailed project plan has been developed to identify the work required to bring the LATCo to reality. Work will need to be undertaken on behalf of the Council, on behalf of the LATCo and jointly. It is proposed to continue to engage consultants to support this phase of work, providing project management oversight, specialist advice and bringing their expertise of similar projects to facilitate a smooth process. The established Project Board will play a key role in undertaking the work involved in the transition and implementation phases.

## **9.0 Conclusion**

9.1 The work undertaken in Phase 3 of this project has produced a detailed business plan for a Local Authority Trading Company for the delivery of the services concerned.

9.2 Whilst establishing a Local Authority Trading Company is by no means risk free, and requires some investment in the early years, the business plan demonstrates that this investment pays dividends in the medium to long term and enables the services to seek out a more sustainable future through the pursuit of new business and a stronger commercial focus.

9.2 If the business plan is accepted and agreement given to proceed to establish the new organisation the project will move into the transition planning phase before going live later in 2015.

## **10.0 Recommendations**

10.1 To establish a Local Authority Trading Company in line with the principles contained in this report and the detail contained within the Business Plan.

10.2 Delegated authority for the detailed implementation plans based on the principles outlined within this report to rest with the Chief Executive and DASS in consultation with the Chief Financial Officer (S151), Monitoring Officer and Cabinet Member for Health and Wellbeing. Once the Shareholder Panel is in operation some of these decisions may be addressed by this group.

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**List of Background Papers:-**

- Equality Analysis
- Cabinet Report 1 October 2014
- Cabinet Report 21 January 2015
- Business Plan (exempt pursuant to Paragraph 3 Schedule 12A Local Government Act 1972 (as amended), namely, information relating to the financial or business affairs of the Council)

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