

Swindon Borough Council

Special Committee

Friday, 5 July 2013

Committee Room 1, Civic Offices (Anticipated meeting room)

At 1.00 p.m.

Conservative Councillors

David Renard (Chair)

Fionuala Foley

Garry Perkins

Brian Mattock (Vice-Chair)

Mike Bawden

Deputies: *All other*

Cabinet Members

Labour Councillors

Mark Dempsey

Jim Grant

Des Moffatt

Steve Allsopp (Deputy)

Deputies: *All other*

Labour Shadow Cabinet

Members

Liberal Democrat Councillors

Stan Pajak

David Wood (Deputy)

Deputies: *All other Liberal Democrat Members*

(Copies to all other Members of the Council – For Information)

Committee Officer: Ian Willcox (Telephone: 01793 463601)

email: iwillcox@swindon.gov.uk

Swindon Borough Council can be contacted at the Civic Offices, Euclid Street, Swindon, SN1 2JH (Telephone 01793 445500)

Access Arrangements - The venue is wheelchair accessible and an infrared receiver hearing system is provided. If you have any special requirements to enable you to attend the meeting or would like to receive any of the pages contained in this agenda in a larger print size, please contact the Committee Officer as soon as possible prior to the date of the meeting.

AGENDA

PART 1 (PUBLIC ITEMS)

1. Apologies for Absence.

2. Declarations of Interest.

Members are reminded that at the start of the meeting they should declare any known interests in any matter to be considered, and also during the meeting if it becomes apparent that they have an interest in the matters being discussed.

3. Minutes. (Pages 1 - 4)

To receive the minutes of the meeting held on 18th March 2013.

4. Public Question Time.

See explanatory note below. Please phone the Committee Officer whose name

and number appears at the top of this agenda if you need further guidance.

5. **Strategic Review of Swindon Commercial Services Ltd. - References from Other Council Bodies: Cabinet** DLDS (Pages 5 - 28)
6. **Appointments to Council Committees and Other Bodies. (Oral)** DLDS
To consider changes to Member representation on certain Council Committees and other bodies. Changes to representations requested by Political Groups will be tabled at the meeting.

Date of Despatch: 01 July 2013

Key:

Officers:

CE	-	Chief Executive
BDC	-	Board Director Commissioning (DCS/ DASS)
BDSD	-	Board Director Service Delivery
BDR	-	Board Director Resources (Section 151 Officer)
DLDS	-	Director of Law and Democratic Services (Monitoring Officer)

Public Question Time - Swindon Borough Council is committed to increasing its accountability to the public and to promoting active citizenship. Up to 15 minutes will be allowed at the start of all Council meetings for questions to the Chair from members of the public about the work of the Committee (except for confidential matters and specific planning applications). Questions must be relevant, clear and concise. Because of time constraints Public Question Time is not an opportunity to make speeches or statements. Prior notice of a question to the Director of Law and Democratic Services is desirable - particularly if detailed background information is needed.

Special Committee - Terms of Reference

The Special Committee shall have delegated to it the power to act for the Council on the advice of the Chief Executive on any policy decision or any particular matter that is urgent and necessary in the best interests of the Council.

The quorum of the Committee shall be three.

Deputy Members may be appointed at the Annual or any meeting of the Council.

Minutes of any proceedings of this Committee shall be submitted to the Council.

SPECIAL COMMITTEE

MONDAY, 18 MARCH 2013

PRESENT:- Councillors Roderick Bluh (Chair), David Renard (Vice-Chair), Mark Dempsey, Fionuala Foley, Jim Grant, Garry Perkins, Brian Mattock, Des Moffatt and Stan Pajak.

13. Declarations of Interest

The Chair reminded Members of the need to declare any known interests in any matters to be considered at the meeting.

The Chair advised that the Council's Standards Committee had under Section 33 of the Localism Act 2011 granted dispensations to Councillors Roderick Bluh, Fionuala Foley, Brian Mattock, Des Moffatt and Garry Perkins in respect of any discussions on any matters which had a bearing on the setting of the discounts and exemptions for Council Tax (Agenda item 6).

14. Minutes

Resolved – That the minutes of the meeting held on 20th December 2012 be confirmed and signed as a correct record.

15. Public Question Time

No public questions were asked under Standing Order 28.

16. Exempt Items - Exclusion of Press and Public

Resolved – That, in accordance with Section 100A(4) of the Local Government Act 1972, the public be excluded during the discussion of the matters referred to in Agenda Item No. 9 (Redundancy Severance) of the Notice of the Meeting on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1 and 2 of Part 1 of Schedule 12A to the Act, and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information concerned.
(Minute 20 refers.)

17. Council Tax Empty Homes Discounts and Exemptions

The Cabinet Member for Finance and the Head of Revenues and Benefits submitted a joint report concerning proposed changes and clarification of changes to Council Tax discounts and exemptions that were agreed by the Council on 20th December 2013 (Minute 80(1) of the Council refers) in order to encourage empty homes to be used.

The Head of Revenues and Benefits presented the report and explained the proposed changes to be made to Council Tax discounts and exemptions and the reasons why the changes were necessary to protect the Council's interests and revenue and to encourage properties to be brought into use.

Resolved – That the Special Committee, on behalf of the Council, approves that –

- (a) In respect of the amendments to empty and unfurnished properties (former Class C), properties undergoing structural exemptions (former Class A) and properties that are subject to the empty premium as a result of being empty and unfurnished for two years, a property must be occupied and furnished for a minimum of 6 weeks and 1 day, in order to qualify for any new discount period or period without a premium applying.
- (b) The discount period that applies to the Swindon Borough determined empty and unfurnished discount (former Class C) of 50% for three months, shall expire on 1st April 2013, for properties that have been empty in excess of three months. 100% Council Tax will be chargeable on such empty dwellings. Those properties that have been empty and unfurnished for less than three months, as at 1st April 2013, will receive discount a 50% discount until the end of the three month period, but will not receive a further 3 months discount after 1st April 2013.
- (c) The discount period that applies to the Swindon Borough determined structural alterations discount (former Class A) of 50% for 12 months, shall expire on 1st April 2013, for properties that have been empty in excess of 12 months. 100% Council Tax will be chargeable on such empty dwellings. Those properties that have been undergoing alterations for less than 12 months, as at 1st April 2013, will receive a 50% discount from 1st April 2013 until the end of the 12 month period, but will not receive a further 12 months discount after 1st April 2013.
- (d) The 150% premium will be payable from 1st April 2013, for those properties empty and unfurnished for two years or more, as at this date. Those properties that have been empty and unfurnished for less than two years as at 1st April 2013, will be subject to the premium on the exact date that the two years ends.

18. Appointment to Council Bodies

The Director of Law and Democratic Services submitted a report concerning proposed changes to appointments to Council bodies for the remainder of the Municipal Year 2012/13, that had been requested by the Council's Labour Group.

Resolved – That the Special Committee, on behalf of the Council approves the following appointments –

Committee	Councillor Appointed	Councillor Replaced
Swindon Children's Trust Board	Cindy Matthews	Rochelle Russell
Joint Commissioning Board (Adults and Children)	Cindy Matthews (Deputy to Councillor Ray Ballman)	Rochelle Russell (Observer status)

19. Adjustments to the Council's Organisational Structure

The Leader of the Council and the Chief Executive submitted a joint report concerning proposed changes to the Council's Stronger Together Management Structure to (i) reflect the outcome of recent restructuring consultation processes and exercises to identify cost savings, (ii) ensure that the Council's safeguarding requirements were managed in the most effective way, (iii) deliver the Council's strategic objectives in the most effective and efficient way, and (iv) enable the transfer of Public Health into the Council on 1 April 2013.

The Chief Executive presented the report and explained the reasons for the proposed changes and the way in which it was intended the new management structure would operate to deliver the outcomes the Council required.

The Chair and Special Committee Members asked questions regarding the proposed changes and asked the Chief Executive and the Head of People and Development to review, in consultation with the political group leaders, the proposed titles of "Change Leader and Stronger Together Programme Director" and "Change Leader and Head of Finance" in order that any risk of ambiguity or misunderstanding of the roles associated with these posts could be avoided.

The Committee noted that the Change Leader and Programme Director Stronger Together had, further to the decision of the Council on 21st February 2013, developed three possible future Locality Team Structure options. Special Committee Members believed that it would be useful for the implications of these options to be clarified with the political group leaders and the political groups, prior to a preferred option being agreed.

Resolved – (1) That the changes to the Council's Management Structure, as referred to in paragraph 3.3 of the joint report and set out in the Appendix (2) circulated at the meeting, be approved, and that the revised structure be implemented on 1st April 2013.

(2) That the Director of Law and Democratic Services be authorised to amend the Council's Constitution accordingly to reflect the decision in (1) above.

(3) That the Chief Executive and the Head of People and Development be requested to review, in consultation with the political group leaders, the proposed titles of "Change Leader and Stronger Together Programme Director" and "Change Leader and Head of Finance" in order that any risk of ambiguity or misunderstanding of the roles associated with these posts can be avoided.

(4) That the issue of future Locality Team Structure options be deferred to enable the Change Leader and Programme Director Stronger Together to explain and clarify the available options to the Council's political group leaders and political groups, prior to him submitting a report and preferred options to the Council meeting on 11th April 2013.

20. Redundancy Severance

The Leader of the Council and the Chief Executive submitted a joint report concerning the redundancy severance arrangements for Employee No. 1440844A.

The Head of People and Development and the Director of Law and Democratic Services explained the rationale that had been adopted in arriving at the

financial position set out in the report and how this was comparable to the approach adopted in other similar circumstances.

Councillor Jim Grant referred to his political group's continued support for a situation where redundancy severance arrangements were based on the same criteria for all employees regardless of their position within the authority and that additional discretionary compensation payments to certain categories of senior employees should be avoided.

The Chair highlighted the contents of the reports and the reasons why he believed the proposals put forward were in the best interests of the Council.

The Chief Executive and Committee Members referred to their disappointment that confidential personal information contained in the "Not for Publication" report had been published in the local media. The Chief Executive advised that he would write to the Editor of the Evening Advertiser expressing the Council's concern in the strongest terms at its actions and asking that such disclosures not be published.

The Chief Executive confirmed that together with the Director of Law and Democratic Services and the Head of People and Development he would undertake a review of how sensitive personal information was currently presented to this Committee in order that confidentiality could be maintained without hindering the openness and transparency of the Council's Committee process.

Resolved – (1) That the redundancy severance arrangements for employee 1440844A, as set out in the joint report, be approved.

(2) That the Head of People and Development be authorised to issue notice to employee 1440844A by no later than 31st March 2013.

(Councillors Dempsey, Grant and Moffatt requested that their vote against the decision in (1) above be recorded. Councillor Pajak abstained from voting in respect of the above item.)

**Strategic Review of Swindon Commercial Services Ltd.
References from Other Council Bodies: Cabinet**

Special Committee

Date: 5th July 2013

Author: Cabinet Member for Strategic Projects and Transformation,
Chief Executive and Director of Law and Democratic Services

Wards / Localities / Parishes: All

1. Purpose and Reasons

- 1.1 To consider recommendations arising from the meetings of the Cabinet on 26th June 2013 concerning the outcomes of a strategic review of Swindon Commercial Services Ltd.

2. Recommendations

The Special Committee, on behalf of the Council is recommended to:

- 2.1 Note the contents of the joint report of the Chief Executive and the Cabinet Member for Strategic Projects and Transformation on the Strategic Review of Swindon Commercial Services Ltd., considered by the Cabinet on 26th June 2013 and attached as Appendix 1.
- 2.2 Consider the recommendations arising from the meeting of the Cabinet, as set out in Minute 21 as attached as Appendix 2.

3. Detail

- 3.1 The Cabinet at its meeting on 26th June 2013 considered a report on the outcome of a strategic review of the structure and operation of Swindon Commercial Services Ltd. (SCS). This report is attached as Appendix 1.
- 3.2 The outcome of the Cabinet's consideration of this report resulted in recommendations to the Council regarding the future of SCS. These recommendations are set out in Minute 21 attached as Appendix 2 to this report.

4. Alternative Options

- 4.1 It is a matter for the Special Committee, on behalf of the Council, as to whether the recommendations of the Cabinet are supported or not.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The financial implications associated with the recommendations from the Cabinet are set out in detail the reports to those bodies.

Further information on the subject of this report can be obtained from Ian Willcox, Direct Dial Telephone Number – 01793 463601, email - iwillcox@swindon.gov.uk.

Strategic Review of Swindon Commercial Services Ltd.

References from Other Council Bodies: Cabinet

Special Committee

Date: 5th July 2013

Legal and Human Rights Implications

- 5.2 Legal and Human Rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 This report has no other specific implications.

Links to One Swindon, Plans and Policies

- 5.4 There are specific links to One Swindon and to the Council's strategic priorities and these are highlighted in the Cabinet report.

Diversity Impact Assessment

- 5.5 A Diversity Impact Assessment (DIA) has not been undertaken at this stage as this report does not make any recommendations or have implications that affect services. The original report submitted to the Cabinet refers to the requirement for a Diversity Impact Assessment.

Risk Management

- 5.6 There are no identified risks associated with this report. The original report submitted to the Cabinet refers to the risk management associated with the proposals.

6. Consultees

- 6.1 The Board Director Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- None.

8. Appendices

- Appendix 1 – Report to Cabinet – 26th June 2013: Strategic Review of Swindon Commercial Services Ltd.
- Appendix 2 – Minute 21 of Cabinet – 26th June 2013.

Further information on the subject of this report can be obtained from Ian Willcox, Direct Dial Telephone Number – 01793 463601, email - iwillcox@swindon.gov.uk.

Strategic Review of Swindon Commercial Services Ltd

Cabinet

Date: 26th June 2013

Author: Cabinet Member for Strategic Projects and Transformation, and
Chief Executive

Wards: All
Locality Affected: All
Parishes Affected: All

1. Purpose and Reasons

- 1.1 Swindon Commercial Services Ltd (SCS) was established as a wholly owned limited company of the Council in January 2010. As with the Council's other major partnerships, it is important to periodically review business benefits and risk against agreed objectives in order that the strategic direction can either be confirmed or amended as necessary.
- 1.2 SCS has recently identified emerging opportunities in new market areas that the company was not in a position to exploit when it was established in January 2010. This report sets out a number of considerations relating to the Company's future direction to enable Members to determine the most suitable approach that enables those opportunities to be maximised to benefit the Council.
- 1.3 The report is urgent in order to maximise the financial benefits to the Council and enable the changes to be implemented in the most economic and efficient manner, and to provide clarity to the current SCS staff about their future status.
- 1.4 The report's recommendations, if approved, will contribute towards the strategic priorities of consistently making the best use of all available resources and focus them on what matters most and right skills, right jobs in the right places.

2. Recommendations

Cabinet is asked to recommend to Council, or its Special Committee, that:

- 2.1 For the reasons set out in this report, the Council's wholly owned company Swindon Commercial Services Ltd (SCS) should be re-focused on Waste Treatment and Disposal, PV installations including large-scale arrays and activities of the DW Dunn brand, with a view to generating profitable external income in a small range of emerging opportunity areas where returns, if realised, will significantly outweigh the effort and cost of securing them and provide a financial return to the Council as shareholder.
- 2.2 The remainder of the services SCS provides to the Council including the staff and infrastructure involved ('the undertaking'), be transferred back to the Council in accordance with the high-level timetable set out in Appendix 2, enabling a

Further information on the subject of this report can be obtained from Gavin Jones, 01793 463008, gjones@swindon.gov.uk

Strategic Review of Swindon Commercial Services Ltd

Cabinet

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significant reduction in the back office costs (overheads) associated with operating a large external company as detailed in table 1;

- 2.3 Agree that, following the transfer of the undertaking back to the Council;
 - 2.3.1 The current “rebate” arrangement be removed;
 - 2.3.2 The Board Director, Service Delivery carries out a detailed examination of the individual services provided currently by SCS to SBC, with a view to streamlining and integrating processes operating both within services and between client and contractor to further reduce costs;
 - 2.3.3 As part of this exercise, robust specifications be developed for all services currently provided by SCS that meet Members’ requirements, in order to enable services to be tendered in a planned way where it makes sense to do so. This allows for the possibility that Members may determine, following a detailed market comparison, that some in-house services represent value for money that includes cost, quality and social value;
- 2.4 Authorise the Director of Law and Democratic Services and the Head of People and Development, the Board Director Resources, in consultation with the Cabinet Member for Transformation and Strategic Projects, to progress the legal, human resources and financial steps necessary, to ensure a successful transfer of SCS staff, assets and property to the Council;
- 2.5 Authorise the Director of Law and Democratic Services, in consultation with the Cabinet Member for Transformation and Strategic Projects and the Board Director, Resources to complete any necessary legal documentation in relation to the transfer of the undertaking on such terms as he considers appropriate to protect the Council’s interests.
- 2.6 Note that:
 - 2.6.1 in the event of the transfer of the undertaking proceeding, the tender timeline for services provided by SCS, previously agreed by Cabinet in June 2011 (Cabinet Minute 10, 2011/12 refers), will need to be reviewed and a report will be brought to Cabinet with a revised proposal later in this Municipal Year, in the context of the work described in recommendation 2.3.3, and
 - 2.6.2 work is continuing to implement the Cabinet decision from October 2011 (Cabinet Minute 53, 2011/12 refers) around Strategic Commissioning Partnership Agreements for non-housing related building construction and refurbishment works and that this is unaffected by the decisions in this report.

Further information on the subject of this report can be obtained from Gavin Jones, 01793 463008, gjones@swindon.gov.uk

Strategic Review of Swindon Commercial Services Ltd

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3. Detail

Background and Context

- 3.1 Cabinet agreed a business case in 2009 to establish the Council's former Direct Labour Organisation, Swindon Commercial Services as a wholly owned limited company. Swindon Commercial Services Ltd started trading on 1 January 2010, with the agreed twin aims of:
- Providing best value for money (VFM) solutions for services provided to Swindon Borough Council (SBC)
 - Helping support the Council's future budget challenges through delivering increased dividends or lower prices.
- 3.2 From 2010 to 2012 there was a steady increase in the value returned from SCS to SBC, predominantly through reducing the price for SBC services in partnership with clients. This helped alleviate some of the Council's budget challenges over that period.
- 3.3 This position reversed during 2012/13 with SCS being unable to absorb cost pressures experienced during the year as they had managed in previous years. As a result, the return to SBC was significantly below the expected level, adding unexpected, late pressure to the Council's ability to deliver a balanced budget for 2012/13 and 2013/14. SCS is currently projecting a higher return in 2013/14 than was achieved in 2012/13, although it is still below the budgeted and actual level in 2011/12.
- 3.4 Although SCS has been successful in identifying emerging opportunity areas that offer promise for the future, the company has struggled since 2010 to realise significant levels of profit from contracts with organisations other than SBC. External profits since decoupling have been relatively stagnant and well below initial and subsequently recalibrated expectations.
- 3.5 In many respects this is not surprising. The strengths, weaknesses, opportunities and threats (SWOT) analysis that accompanied the original SCS business plan is attached as Appendix 1 to this report and it can be seen from this that SCS's identified strengths and opportunities were largely in public sector works. An accompanying risk identified was that public sector funding could reduce significantly in the period 2011/12 and beyond.
- 3.6 Since 2009, there has been a significant turndown in the global and national economic prospects. The fiscal responsibility programme introduced by the Coalition Government in 2010 has significantly reduced the funding available for almost all public bodies, which were primarily the target market for SCS. The
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lower level of work available has in turn increased competition and tightened available profit margins. Inevitably this has made achieving the level of predicted external turnover and profit significantly more difficult.

- 3.7 SCS has recognised this situation and sought to mitigate it by identifying alternative business opportunities, predominantly in niche markets with a green energy theme, e.g. Refuse Derived Fuel (RDF) and Photovoltaic (PV) cells, including large-scale arrays. There is undoubted potential in these markets, although the scale and timing of returns of large-scale PV installations in particular is difficult to predict accurately.
- 3.8 As sole shareholder, the Council has a key role to play in setting out clearly its future strategic objectives for the company in order that a robust business plan and appropriate management structure can be put in place to deliver them. The following sections of this report detail the options that have been considered before arriving at final conclusions and recommendations. These have been informed by inputs from both council officers and SCS.

Option Appraisal

- 3.9 Broadly three options exist for the future strategic direction of SCS, with a number of detailed scenarios within each option:
- a) Retain SCS in its current form, adopting a similar but more targeted sales strategy;
 - b) Re-focus SCS to participate in a much more targeted way on niche external markets and transfer most of the services provided to SBC back to the Council;
 - c) Wind up SCS and transfer all of the services it provides to the Council.
- 3.10 The original strategic intent behind the creation of SCS as a separate company remains both relevant and valid, as generating new and additional income streams can assist the Council's overall financial position. If it is believed that there are real opportunities to exploit external markets, the option of winding up SCS completely and transferring all of its activities to the Council would be counter intuitive and should be ruled out.

External Income Opportunities

- 3.11 It is important that any external income is truly profitable and brings a contribution that more than covers overheads. If this is not the case, the Council is effectively subsidising the external contracts and not deriving a real financial benefit. Currently, SCS's overheads represent around 6% of turnover (just over £5m, although £1m is charged directly to specific functions).

Further information on the subject of this report can be obtained from Gavin Jones, 01793 463008, gjones@swindon.gov.uk

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- 3.12 SCS's initial budgeted external income and profit targets for 2013/14 showed a wide range of contribution targets totalling around £0.85m, with some lower than 6% in recognition of the market conditions. Having been asked to review these to inform the option appraisal, the company produced a revised set of sales targets across a range of activities for a mix of client markets. These figures are underpinned by a proposed new sales strategy that differentiates between proactive and responsive sales opportunities, with the latter intended to be pursued only where sufficient levels of contribution can be secured that at least cover overheads.
- 3.13 SCS is predicting external contribution levels rising from £1m in 2013/14 (included in the base rebate assumption) by around £0.5m per year. This includes predicted profit from DW Dunn Ltd, a company that SCS acquired in 2012 and which is wholly owned by the company. The most attractive contribution expectations relate to PV arrays.
- 3.14 Although the level of growth in contribution seems solid, it cannot be guaranteed as it is dependent on market conditions and SCS's ability to win work at competitive prices that include attractive contribution rates. That said, the potential scale of value that is being highlighted from PV arrays alone strongly suggests that it is worth pursuing these opportunities as a minimum. On this basis, the option of transferring all activities back to the Council and thereby foregoing any material future income (Option c) should be ruled out.

Additional Costs of Operating an External Company

- 3.15 The potential external contribution figures do, however, need to be seen in the context of the additional overhead costs of operating SCS as a large, arms-length company.
- 3.16 Looking at a high-level analysis it is clear that some costs were added to SCS in 2009 in preparation for decoupling (e.g. new commercial management team). Significantly more costs were included in the run up to January 2010 to enable SCS to operate as a separate company (e.g. insurance £300k, finance £200k). In addition, SCS figures show that overhead costs have risen by around £1m since January 2010. On this basis, the additional costs of operating SCS as a stand-alone company look to be in the order of £1.5m - £2.0m.
- 3.17 Council officers have undertaken a significantly more detailed analysis, with information provided by the SCS Finance team. This has highlighted that there could be significant savings from bringing the majority of SCS services back in-house and leaving a much smaller and better focussed SCS operating externally. The range of financial issues that would need to be considered should the Council decide to bring a large part of the current SCS operations back in-house is summarised in Table 1 below.

Further information on the subject of this report can be obtained from Gavin Jones, 01793 463008, gjones@swindon.gov.uk

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Table 1 – Net Benefit of Bringing Most Services In-House

	Savings (-) / Cost (+)
	£'000
Staffing and insurance savings (taking out extra SCS infrastructure costs)	-1,352
Further Integration of support functions	-150
Lost opportunity - SCS terms & conditions changes	+200
	-1,302
<u>Pensions</u>	
Extra costs of SCS staff transferring on to the LGPS	+400
Lower SBC Rate (18.1% less 15.4%)	-208
Avoid future rate differential due to stabilisation policy	-500
	-308
Rebate retention by SCS to ensure more sustainable cash-flows	-500
Allowance for SCS budget uncertainty, say	250
Net Savings from bringing most services back in-house	-1,860

- 3.18 These savings represent those that can only be achieved by bringing the majority of SCS's current activities in-house, leaving a much smaller core company. If any significant services provided to SBC (with the exception of Waste treatment and Disposal, which is covered by a separate 10 year contract with SCS) remain with the limited company, the scale of potential savings would be much lower. SCS themselves have recognised the need to reduce the company's overhead costs and have targeted a figure of around £1m. If this is accurate, it could be realised whether the company remains in its current form or not.

Other Material Considerations

Rebate

- 3.19 The rebate arrangement has been a source of tension between the Council and SCS for a number of years. Discussions between officers and leading Members have highlighted a wish from the Council's perspective to remove the rebate,

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which can be achieved with no financial impact if most services are brought in-house.

- 3.20 However, from the SCS perspective it is vital to keep the rebate in place to support the company's daily cashflows and to allow it to demonstrate it is a profitable business. If the rebate arrangement is fundamentally changed or removed, the SCS cashflow position would significantly deteriorate.

Tendering

- 3.21 It is acknowledged that if SCS remains as an external company the services it provides to the Council will inevitably need to be taken to market to formally test value for money. Cabinet agreed a tender timeline in June 2011 that included all services provided at that time. Work has already commenced on producing specifications for Streetsmart services, the first to be tendered, where the formal process is due to start in January 2013.
- 3.22 While the requirement to demonstrate value for money will exist regardless of the future model of service delivery, if many of the current services provided to the Council by SCS were brought in-house the absolute necessity to do this through a formal tender process would be removed. Members would have the discretion to move to tender at a time of their choosing and could determine on a service by service basis whether they wish to tender or have the Council remain as a direct service deliverer. Prior to taking any service to market, there should be an expectation that a detailed examination will be undertaken of individual services provided currently by SCS to SBC, with a view to streamlining and modernising processes operating both within services and between client and contractor to further reduce costs.
- 3.23 In this context the current tender timeline will need to be reviewed, following the appropriate consultation. Given the proposed future focus on a smaller range of market activities, there would be no impact on Cabinet's decision in October 2011 around Strategic Commissioning Partnership Agreements for non-housing related building construction and refurbishment works. The Council would continue to take such projects to market as is happening currently.
- 3.24 With the Council having signed a long-term contract with SCS for waste treatment and disposal in January 2013 as part of the new waste disposal arrangements including the Refuse Derived Fuel (RDF) facility, it would seem most appropriate for this service to remain with SCS, even if most other services are brought in house, to provide a stable platform to build from. The Council's client team believes it is feasible to retain the current position where the contract for Waste Disposal is separate from that for Waste Collection, a position mirrored in many areas across the country. However, further work is being undertaken to review the hand-offs between the waste collection, recycling and disposal

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services to determine whether an alternative solution could also be progressed. An update will be provided to the Cabinet meeting on the outcome of this work.

Costs of Change

- 3.25 The Board Director, Service Delivery, in his role as Interim MD of SCS, has highlighted the need for change within the company most particularly to modernise business processes, reduce the use of on sub-contracted staff and to introduce more robust arrangements for engaging and managing sub-contractors. In addition, he has highlighted the need to re-focus the company's business strategy and withdraw from some current market areas.
- 3.26 These issues will need to be addressed regardless of the company's future status. The cost of effecting the change has not yet been quantified, although it is recognised that there is likely to be some need to secure additional skills and resources from outside organisations. It is arguable that some of the changes would be easier to effect if service delivery was transferred to the Council, as end to end processes could be re-designed in a more streamlined way. Against this, it could place additional pressure on the Council's management and change resources. Some of these would, however, be released if the requirement to prepare for the tendering of Streetsmart services in January 2014 was deferred.
- 3.27 Should Members decide to transfer the undertaking, including SCS staff, back to the Council, the transition would need to be carefully planned and managed. This would include the transfer of around 500 – 550 staff under TUPE (the Transfer of Undertakings (Protection of Employment) Regulations 2006) in accordance with the Code of Practice on workforce matters. This is a process that the Council has managed on a number of occasions in recent years with the creation of SCS and Seqol and the transfer from Health of Children Services staff and it is therefore well understood. As part of this there will need to be a consultation period with staff affected. It is not considered at this stage that it is appropriate to carry out any wider consultation in view of the need for urgency and the intention to maintain current service provision.
- 3.28 Other issues that would need to be addressed to effect the transfer include the following.
- 3.28.1 Determining where SCS would fit within the Council's management structure, in particular whether the current client / contractor arrangements would be continued;
 - 3.28.2 Revising the coding structure in the Council's financial systems to incorporate SCS's direct expenditure and income;
 - 3.28.3 Novating / transferring SCS's contracts, software licenses and insurances to SBC;

Further information on the subject of this report can be obtained from Gavin Jones, 01793 463008, gjones@swindon.gov.uk

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3.28.4 Agreeing an approach to valuing and transferring assets; and

3.28.5 Merging the SCS accounts with those of SBC in-year and closing the current year's accounts for both organisations.

- 3.29 The process of establishing SCS as an arms-length company took 6 months from the point at which Members decided in principle that they wished to pursue this route. Transferring a large part of SCS back to the Council would be a simpler process and is expected to take around 4 months from the point of decision. An outline project plan is included as Appendix 2. This suggests a two stage approach be adopted, with the initial transfer taking place on 1 November 2013 and further work being undertaken following this to fully integrate services within the Council's structure by 1 April 2014. If Members decide to endorse this approach, the transition would be overseen by the Board Director, Resources, who performed this role when SCS was created.

Summary of Considerations

- 3.30 Both SCS and SBC Officers feel that there are external opportunities in the market to drive profit from niche markets (e.g. PV and RDF) and that retaining an external company to exploit these and other market opportunities as they arise is a sensible way forward. The difference in opinion is around the size of that external company.
- 3.31 The main issues for Members to consider in arriving at a decision on the future of SCS have been set out in this report and are summarised in the table below.

Table 2 – Summary of Key Considerations

	Retaining SCS broadly “as is”	Retaining a much smaller SCS and transferring most services to SBC
External income	Potential profit identified around £1m in 13/14, rising by around £0.5m - £0.6m per year in range of markets including niche “green energy” markets. Cannot be guaranteed.	Potential profit identified around £0.7m in 13/14, rising by around £0.4m - £0.5m per year only in niche “green energy” markets. Cannot be guaranteed.

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Overhead costs	SCS has identified scope to reduce by £1m (currently no clear plan to deliver).	Detailed analysis shows additional cost of operating large external company £1.5m. Could be removed by 2014/15. Could also benefit from SCS identified scope to reduce by £1m (currently no clear plan to deliver).
Pensions	Additional cost of separate LGPS fund around £0.5m per year (phased in)	Net additional cost of eligible new entrants to SBC LGPS scheme around £0.2m per year (not phased in)
Rebate	Needs to stay in place. SBC will need to allow SCS to retain around £0.5m per year of profit to aid cashflows and enable investment.	Could be removed with no net impact on the Council's budget.

	Retaining SCS broadly "as is"	Retaining a much smaller SCS and transferring most services to SBC
Tendering	All services provided to SBC by SCS would need to be tendered in a planned timetable. Significant costs would be incurred by both SCS and SBC.	Members have choice on whether / when to tender services. Costs of tendering reduced / re-phased.
Costs of change	Significant changes to business operations to be managed. Some additional costs likely, not yet quantified.	Significant changes to business operations to be managed. Some additional costs likely, not yet quantified. Additional cost to transfer services back to SBC. Some additional costs likely, not yet quantified. Will be significantly lower effort and costs than to establish SCS.

Further information on the subject of this report can be obtained from Gavin Jones, 01793 463008, gjones@swindon.gov.uk

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- 3.32 For the full range of issues considered, officers recommend that the most appropriate future strategy for SCS that will maximise financial benefit to the Council in the foreseeable future is to scale back the company to focus on niche “green energy” activities and to transfer most of SCS’s staff and operations back to the Council. Following this, more detailed work will be undertaken to inform Members’ decision on whether and when those services should be taken to market, having driven down costs and removed duplication of effort before doing so.
- 3.33 This would mean that in the future the services SCS would deliver as a limited company would be Waste Treatment and Disposal, PV installations including large-scale arrays and activities of the DW Dunn brand.

4. Alternative Options

- 4.1 A range of options has been considered as detailed in the report.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The financial and procurement implications are covered in the report. The savings identified in Table 1 by bringing most services back to the Council are predicated on a much smaller external company remaining, covering Waste treatment and Disposal, PV arrays and DW Dunn services. The savings would be greatly reduced should any further services provided by SCS to SBC be retained within the limited company.

Legal and Human Rights Implications

- 5.2 Under section 3(2) of the Local Government Act 1999, local authorities are under a general duty of Best Value to “*make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.*” Before deciding how to fulfil that duty, authorities are under a duty to consult as appropriate. In this instance, the council is satisfying its general duty of best value for the reasons set out in the report and, in view of the urgency in this matter, considers it not appropriate to carry out a formal consultation process having regard to the fact that there will be no change in service provision resulting from the transfer back to the Council.
- 5.3 Other Legal and Human Rights implications have been taken into account in the preparation of this report and it is believed that the recommendations are compatible with convention rights.

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- 5.4 All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)
- 5.5 If the recommendations of this report are accepted, there will need to be more work undertaken relating to the implications on staffing and in particular, the resource requirements that will be needed both internally and externally to ensure a seamless transition is achieved.
- 5.6 The transfer of employees to the new organisation will need to be in accordance with the TUPE (Transfer of Undertakings (Protection of Employment) Regulations 2006) and the impact of the transfer will need to be considered. A range of staff communication events will be planned to take place.
- 5.7 The proposed timeframe is challenging and will necessitate officers being released as necessary.

Diversity Impact Assessment

- 5.8 A Diversity Impact Assessment has not been completed for this report as there are no specific service changes being proposed. Any staff changes will be dealt with in accordance with the Council's Managing Change policy.

Risk Management

- 5.9 A risk register will be completed for the change programme should Members agree the recommendations. Key risks will relate to timescales and the resources required to implement the changes detailed in the report. There are felt to be manageable although the possible need to secure some additional external resources to mitigate these has been identified.

6. Consultees

- 6.1 The Board Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 There are no background papers.

8. Appendices

- 8.1 Appendix 1 – SCS SWOT Analysis
- 8.2 Appendix 2 – Outline Project Plan to Transfer most SCS activities back to SBC

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9. Key Decision/Decision in Cabinet Work Programme/Forward Plan

- 9.1 This is not a Key Decision because it is a decision being referred to Council / Special Committee. It is included in the Cabinet Work Programme / Forward Plan for June 2013.

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Appendix 1

SCS SWOT Analysis (Extract from Dec-09 Cabinet Report)

• **Strengths**

- SCS has a wide network of public sector contacts
- SBC support providing a wide range of skills and expertise
- Our values and culture are more closely aligned with our public sector target customers than is the case for our private sector competitors
- We can offer a wider range of integrated public sector services than our competitors
- SCS has a track record of delivering transformational change that has been shown to be ahead of our competitors (HRA) and recognised as leading our industry (APSE award)
- Competitive PVC product
- Competitive school building proposition
- Competitive supply chain

• **Weaknesses**

- Dependency on SBC income
- Capacity to mobilise new external contracts has yet to be put in place
- Target sectors' awareness of SCS needs to be improved
- Staff costs are high due to local government terms and conditions, e.g. pension

• **Opportunities**

- Build our market share in public services with nearby Local Authorities
- Building Schools for the Future or its successor
- Develop new services e.g. Energy from Waste
- Cross selling opportunities as a result of SCS wide range of services

• **Threats**

- "Arms length" status not achieved
- Public sector spending reduces significantly in 2011/12 and beyond
- Competitors move in on SCS target sectors due to the relative attractiveness of public sector work
- Competitors target StreetSmart contract

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Outline Plan to Reintegrate SCS Services to SBC

Appendix 2

Time lines											

Appendix 2

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CABINET

WEDNESDAY, 26 JUNE 2013

21. Strategic Review of Swindon Commercial Services Ltd

The Cabinet Member for Strategic Projects and Transformation, and the Chief Executive submitted a joint report outlining a number of considerations relating to Swindon Commercial Services Ltd's (SCS) future direction and subsequent financial benefit to the Council.

Councillor Mike Bawden, Cabinet Member for Strategic Projects and Transformation referred to the on-going difficulties being experienced across local government, including Swindon, as a result of the current economic climate. He emphasised that the Chancellor's ten per cent savings statement confirmed another twelve months of cost savings would be required. Councillor Bawden moved an additional recommendation to note that he would be creating a Cabinet Member Advisory Group to assist him through the transition process.

Councillor Fionuala Foley welcomed the report and in particular drew Members' attention to the timescale and structure of staff reabsorption into the Council.

Councillor Bob Wright, Central Ward Councillor, supported Councillor Fionuala Foley's comments but reminded the meeting of his concerns regarding the initial set up of Swindon Commercial Services Ltd as an arm's length organisation in 2009 given the economic environment that was becoming evident. He referred to the impact the proposals set out in the report would have on staffing levels and the ability to properly monitor work being undertaken by contractors employed on the Council's behalf.

In response, Councillor Mike Bawden, Cabinet Member for Strategic Projects and Transformation confirmed that the report was primarily concerned with identifying resources available to Swindon Borough Council and returning to a direct labour force style of operation designed to deliver the best quality of service at the best cost to the community within the current economic constraints.

Councillor Stan Pajak, Leader of the Council's Minority Opposition Group, expressed his support for the proposal but referred to the brevity of the report and its lack of detail regarding the structure of Swindon Commercial Service Ltd's future profile and viability. He welcomed the proposal to establish a cross-party Cabinet Member Advisory Group and the opportunity to restructure SCS to improve areas currently giving concern and to encourage greater locality involvement.

Councillor Des Moffatt, Western Ward Councillor, expressed his support for the report and suggested it was in the best interest of Swindon Commercial Services Ltd's staff and the people of Swindon. He suggested that the structure of the organisation should be designed to allow it to tender competitively for contracts against the private sector and referred to the benefits of utilising the Refuse Derived Fuel facility.

Councillor Brian Mattock, Deputy Leader, Vice Chair of Cabinet and Cabinet Member for Health and Adult Social Care, expressed his support for the report and emphasised the positive aspects of agreeing to the recommendations of this report.

Resolved – (1) The Council, or its Special Committee, be recommended that:

(a) Swindon Commercial Services Ltd (SCS), as the Council's wholly owned company, re-focus on Waste Treatment and Disposal, PV installations including large-scale arrays and activities of the DW Dunn brand, with a view to generating profitable external income in a small range of emerging opportunity areas where returns, if realised, will significantly outweigh the effort and cost of securing them and provide a financial return to the Council as shareholder.

(b) The remainder of the services Swindon Commercial Services Ltd provided to the Council, including the staff and infrastructure involved ('the undertaking'), be transferred back to the Council in accordance with the high-level timetable set out in Appendix 2 of the report, enabling a significant reduction in the back office costs (overheads) associated with operating a large external company as detailed in table 1 of the report;

(c) Following the transfer of the undertaking back to the Council, the current "rebate" arrangement be removed;

(d) Following the transfer of the undertaking back to the Council, the Board Director, Service Delivery carries out a detailed examination of the individual services provided currently by Swindon Commercial Services Ltd to Swindon Borough Council, with a view to streamlining and integrating processes operating both within services and between client and contractor to further reduce costs;

(e) Following the transfer of the undertaking back to the Council, robust specifications be developed for all services currently provided by SCS that meet Members' requirements, in order to enable services to be tendered in a planned way where it makes sense to do so. This to allow for the possibility that Members may determine, following a detailed market comparison, that some in-house services represent value for money that includes cost, quality and social value;

(f) The Director of Law and Democratic Services and the Head of People and Development, the Board Director Resources, in consultation with the Cabinet Member for Transformation and Strategic Projects, be authorised to progress the legal, human resources and financial steps necessary, to ensure a successful transfer of SCS staff, assets and property to the Council;

(g) The Director of Law and Democratic Services, in consultation with the Cabinet Member for Transformation and Strategic Projects and the Board Director, Resources be authorised to complete any necessary legal documentation in relation to the transfer of the undertaking on such terms as he considers appropriate to protect the Council's interests.

(2) The Council, or its Special Committee, be recommended to note that:

(a) In the event of the transfer of the undertaking proceeding, the tender timeline for services provided by SCS, previously agreed by Cabinet in June 2011 (Cabinet Minute 10, 2011/12 refers), to be reviewed.

(b) With regard to (e) above, a report to be submitted to Cabinet with a revised proposal later in this Municipal Year.

(c) Work would be continuing to implement the Cabinet decision from October 2011 (Cabinet Minute 53, 2011/12 refers) around Strategic Commissioning Partnership Agreements for non-housing related building construction and

refurbishment works and that this is unaffected by the decisions in this report.

(d) The Cabinet for Strategic Projects and Transformation to set up a cross-party Cabinet Member Advisory Group to assist him in monitoring the transition, reviewing the governance arrangements, and on-going performance of SCS.

The reasons for the decision and alternative options are as set out in the report to the meeting.

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