

Replacement Report – Item 5.5

Formation of a Local Authority Trading Company -
Implementation Costs - referred from the meeting of the
Social Care and Wellbeing Committee of 1 September,
2011

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ABERDEEN CITY COUNCIL

COMMITTEE :	Finance and Resources
DATE :	29 September 2011
DIRECTOR:	Fred McBride
TITLE OF REPORT:	Formation of a Local Authority Trading Company – Implementation Costs
REPORT NUMBER:	SCW/11/059

1. PURPOSE OF REPORT

The purpose of the report is to seek approval from Committee to the cost of external support for taking forward the preparation of a full business case and implementation plan for a Local Authority Trading Company (LATC), to include older people's and rehabilitation services.

2. RECOMMENDATION(S)

It is recommended

- (1) that members consider this report as referred from Social Care & Wellbeing Committee of 1 September 2011;
- (2) note the information in this report and agree that the cost of external, expert support for implementation of an LATC of up to £500,000 be met from the corporate provision for the costs associated with externalisation of projects.

3. FINANCIAL IMPLICATIONS

3.1 The LATC would be a company with around £25 million turnover, based on the current service budget for the following services proposed for inclusion in the LATC:

- older people's resources;
- occupational therapy and rehabilitation resources;
- learning disability resources (one day centre and one supported accommodation complex); and
- learning and development.

3.2 The LATC will have powers to trade and, through this, the ability to generate income. The Outline Business Case presented to full Council on 29 June 2011 demonstrated that the LATC has the potential to generate a trading surplus that will provide a basis for investment in services for the future and/or redistribution back to the Council.

- 3.3 A Value for Money comparison has demonstrated that, at constant demand, the Council will be £3 million better off after 5 years compared to continuing as at present with the services that would transfer to the LATC.
- 3.4 The costs of the second stage of implementing an LATC, estimated in the Outline Business Case to be £500,000, will met from the corporate provision for the costs associated with externalisation of projects, as part of PBB implementation.
- 3.5 Aspects of the work to prepare the full business case for the LATC will be undertaken through the corporate contract awarded at Urgent Business Committee on 19 July 2011 to KPMG/Pinsents, for support with the externalisation of services. This will include areas of tax, VAT, pensions, TUPE, company structures and governance.

4. OTHER IMPLICATIONS

- 4.1 The LATC will be wholly owned by the Council and the Council will exert influence through a contractual relationship that will define arrangements for robust performance management.
- 4.2 The LATC provides an opportunity for the Council to ensure that services are flexible and adaptable so that they remain sustainable for the future. The expected benefits of the LATC are:
- improved value for money through a formal contractual relationship that incentivises services to improve;
 - efficiency savings, providing the Council with a reduction in costs or opportunity to invest to meet increasing demand;
 - opportunity for the workforce to secure a stake in their own future in an entrepreneurial culture that rewards performance;
 - services that are more flexible and adaptable so that they remain sustainable, respond to current and future demand and deliver improved outcomes;
 - promotion of choice and potential to generate income through trading; and
 - retention of the vital function for the Council of provider of "last resort".
- 4.5 The LATC supports the policy agendas of shifting the balance of care towards community based services and reshaping care for older to meet growing demand through new ways of working.

5. BACKGROUND/MAIN ISSUES

- 5.1 In February 2011, the Council approved a Priority Based Budget (PBB) proposal that Social Care & Wellbeing should prepare a business case for the establishment of a LATC.

- 5.2 Social Care & Wellbeing contracted with consultants Ernst & Young to assess the feasibility of establishing a LATC as a mechanism to enable the Council to achieve efficiencies while improving outcomes for vulnerable people.
- 5.3 The Options Appraisal and Outline Business Case prepared by Ernst & Young was accepted by Council on 29 June 2011 along with the recommendations to proceed to the next stage of a full business case and implementation plan for an LATC and to approve the costs of this.
- 5.4 A report was taken to Social Care and Wellbeing Committee on 1 September 2011 seeking approval for the engagement of external, expert support for implementation of an LATC at a cost of up to £500,000. Social Care and wellbeing Committee resolved
- (i) to approve the recommendations contained within the report;
 - (ii) that the report be referred to the next meeting of the Finance and Resources Committee for ratification of the associated costs.

6. IMPACT

- 6.1 The proposal supports the Single Outcome Agreement, Local Outcome 6: "Improve the overall health and wellbeing of the people of Aberdeen City ... in particular by supporting those most vulnerable; this outcome particularly focuses on improving the health and wellbeing of older people."
- 6.2 The proposal supports the following strategic priorities of the Council's Five Year Business Plan:
- provide for the needs of the most vulnerable people;
 - ensure efficient and effective delivery of services by the council and with its partners;
- and the plan for delivery:
- make best use of the financial resources available to us, ensuring best value for the public purse;
 - have a flexible, skilled and motivated workforce; and
 - listen to, and be responsive to, our customers, shaping our services around their needs and focusing our resources where they are most needed.
- 6.3 The joint Partnership Agreement for Reshaping Care For Older People in Aberdeen 2010-2013 states, "Optimising independence at home or in a homely setting will be a key success measure."

7. BACKGROUND PAPERS

In preparation of the report, reference has been made to the following documents:

Report to Council of 29 June 2011, Formation of a Local Authority Trading Company

Options Appraisal and Outline Business Case - Establishing an
Alternative Delivery Model for the Social Care and Welbeing
Directorate, Aberdeen City Council
Aberdeen City Single Outcome Agreement
Aberdeen City Council Five Year Business Plan 2011/12 to 2015/16
Partnership Agreement for Reshaping Care for Older People in
Aberdeen 2010-2013

8. REPORT AUTHOR DETAILS

Liz Taylor
Head of Older People's and Rehabilitation Services
litaylor@aberdeencity.gov.uk
Tel. 01224 522457