

ABERDEEN CITY COUNCIL

COMMITTEE: COUNCIL
DATE: 29 June 2011
DIRECTOR: Fred McBride
TITLE OF REPORT: Formation of a Local Authority Trading Company
REPORT NUMBER: SCW/11/059

1. PURPOSE OF REPORT

The purpose of the report is to seek approval from Council to take forward the implementation of a Local Authority Trading Company (LATC), to include older people and rehabilitation services. The report presents the results of an options appraisal on models of service delivery and an Outline Business Case for the alternative delivery of services.

2. RECOMMENDATION(S)

It is recommended that members note the information in this report and:

- (i) approve the request to progress to implementation of the LATC;
- (ii) accept the Outline Business Case as the basis for development of a full business case and a plan for the implementation of the LATC;
- (iii) agree that support be provided from within the Council's Corporate Governance directorate to ensure that the Council's requirements on financial, legal and HR matters are met;
- (iv) agree that external, expert support for implementation be engaged through an appropriate procurement process, with associated costs to be met from the Social Care & Wellbeing budget; and
- (v) agree to accept a further report on the plan for implementation of the LATC.

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 demonstrates 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 demonstrates 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 details of the financial forecast, with financial and operating assumptions, are set out in the Outline Business Case.

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 Outline Business Case assumes that all service staff and managers will transfer from the Council to the LATC under TUPE. A contract mechanism will be required for the resolution of cost allocation in relation to any future redundancy or pension strain costs.
- 4.3 It is proposed that Council property occupied by services in the LATC will be subject to a lease arrangement.
- 4.4 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 Ernst & Young is familiar with the Council and the business of Social Care & Wellbeing, having acted as consultants to the Council for PBB. In addition, Ernst & Young provided expertise of consultants who have recent experience of establishing a LATC with similar services for an English council.
- 5.4 Social Care & Wellbeing worked with Ernst & Young on the detail of the business case and participated in an options appraisal exercise with key stakeholders.
- 5.5 The options appraisal considered the five options against a set of nine design criteria, using paired comparison of options. The options considered were: in house provision, outsource provision, social enterprise, LATC, shared service or joint venture.
- 5.6 The Outline Business Case presents the results of the options appraisal which ranked the LATC as the option most likely to meet the design criteria, and the proposal for the alternative delivery of services through an LATC.

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
 - 6.2.1 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, the following documents have been consulted:

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

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