

Report of the Traded Services Scrutiny Task Group

Purpose

1. To present the conclusions and recommendations of the Traded Services Scrutiny Task Group for endorsement.

Background

2. At the meeting of Full Council on 28th February 2012, it was agreed that consideration should be given to establishing a scrutiny task group to explore opportunities for generating further income to the Council through increased trading of services to schools in other counties.
3. The Children's Services Select Committee was invited to discuss the proposal for a scrutiny task group, its terms of reference and consider possible links with the work of the then Organisation and Resources Select Committee.
4. In January 2012, the Organisation and Resources Select Committee discussed the level of trading conducted by the council (arising from the Business Services forecast overspend of £0.0100 million caused by a delay in profiled income being received from schools). As a consequence it resolved to include a policy paper on the role of the Council as a provider and/or commissioner of services, including the traded services in education, on the Committee's forward work plan.
5. On 5 April 2012 the Organisation and Resources Select Committee established a Task Group to review the role of the Council as a provider and/or commissioner of services with the following terms of reference:
 - a) Review and scrutinise the traded services process
 - b) Ensure transparency and appropriate monitoring of traded services is undertaken
 - c) Report periodically to the Management Committee as necessary
 - d) Membership to be drawn from across the Select Committees

Methodology

6. The Task Group began its work in September 2012. It met formally on three occasions and comprised the following membership:

Cllr Peter Doyle (Chairman)

Cllr Nigel Carter
Cllr Jon Hubbard
Cllr Jacqui Lay
Cllr Christopher Newbury
Cllr Pip Ridout

7. The council currently trades services under existing legislation. However, to trade more widely and with greater income generated it would be necessary for the council to consider a new model of Traded Services that could potentially lead to the need for a separate company to be formed. In addition, becoming a Traded Service exposes itself to greater risk. There would be a tipping point where the success of a traded service meant that its operating platform may need to expand e.g. additional staff, accommodation or resources, that would become a fixed cost to the council if that traded service suddenly reduced as a result of a contract not being renewed. The council in that case could be left with additional unfunded overheads and legacy costs.
8. The aims and objectives of the Task Group were as follows:
 - a) To identify what is being done and what the potential barriers and risks are
 - b) To appraise how we approach potentially partnering or trading with neighbouring local authorities
 - c) Appraise the benchmarking process, data availability and accuracy using current and potential service provision
 - d) To scrutinise the viability/subsidisation levels of a particular traded service when applicable on an ad-hoc basis, to provide evidence as part of the review
 - e) To review and input to the framework and policy for fees and charges
9. The Task Group met with the following officers and Cabinet Member from Wiltshire Council as part of its work:

Jacqui White (Service Director, Business Services)
Liz Creedy (Transformation Team)
Michael Hudson (Director of Finance)
Gordon Mennie (Interim Head of Finance)
Councillor John Brady
10. The Task Group wish to express their gratitude to the witnesses who contributed their time to this scrutiny review.
11. The Task Group considered the following evidence as part of its review:

Fees and Charges Presentation
Draft Initial Business Case Guidance (Appendix A)
Draft Business Case Pro-forma (Appendix B)
Analysis of currently traded services

Traded Services in Wiltshire

12. In its discussions over the three meetings, the Task Group reviewed what should be traded; the potential partners and the opportunities there may be for Traded Services set against any potential threats emerging.
13. The Task Group noted that we cannot avoid statutory obligations, and the two categories of traded service we need to consider are therefore statutory services and those that are discretionary and which needed a clearer look.
14. The Task Group noted the restrictions that occur around the council's ability to make a profit as this is outside the scope of the Council's powers, although full cost recovery is allowable. Any other activity needs to be pursued under a different remit, such as a partnership or company and would be subject to tax rules.
15. A key consideration of the Task Group was a policy decision on whether services must be traded within a full cost recovery model or whether there were situations where the council might feel that a subsidy could be applied to make a charge more realistic. Any subsidy affected the total operating cost model of a service and would need to be factored in transparently.
16. Whilst the Task Group noted that the majority of those we are dealing with are other Local Authorities or schools and similar agencies, consideration needs to be given to the possibility of setting up as a competitor with local businesses, and whether this should be avoided. We have existing partnership working with the NHS and this will be more important as time goes on. Reputation management is important in dealing with the academies and schools as they receive different treatment dependant on the package they purchase. This is completely transparent and would be expected to be replicated throughout all traded services in Wiltshire.
17. There needs to be consideration given to categorization of whether a particular service falls under strategic or opportunistic, and perhaps further in statutory and voluntary or discretionary.
18. It was also noted that in determining whether to trade there had to be an evaluation of the market place both in terms of private and other local authority provision. The private sector often undercut the local authority price as a loss leader to enter the market, however the quality and flexibility was often lacking. The Task Group supported the notion that Traded Services offered the opportunities for new charges and income to the council, new opportunities and the ability to develop Wiltshire services to be class leaders.
19. The Task Group also received a report on the officers' visit to Kent County Council to discuss their methods and the legal aspects of traded services with Kent County Council representatives:

Geoff Wild (Director of Law and Governance),
James Piggott (Group Leader, Commercial and Environmental)
Ben Watts (Group Leader, Litigation and Social Welfare).

Recommendations

20. The Task Group endorses the draft guidance and Business Case pro forma for Traded Services developed by the Service Director for Business Services in discussion with other service directors and task group members.
21. The Task Group welcomes the analysis and overview of traded services provision in other comparable councils provided as part of its work.
22. The Task Group, as a result of its deliberations, considers that:
 - a) The Council needs to maintain an informed and up-to date strategic view on the long term maintenance of existing traded services.
 - b) The Council should continue to develop corporate guidance and pro-forma criteria for the preparation of a business case for all existing traded services as part of the business and financial planning process.
 - c) Corporate and Service Directors should review any new or further opportunities or legislative requirements for the provision of traded services as part of the business planning process.
 - d) The offering of existing traded services should continue but business cases for existing traded services should be subject to periodic review, in particular with respect to changing scenario planning and renewal of appropriate approval.
 - e) All traded services should be clearly identified as strategic or opportunistic, statutory, voluntary or discretionary and an appropriate policy decision made on whether there should be any element of subsidisation.
 - f) Consideration of opportunities for providing new traded services should address all those criteria contained in the above draft pro-forma guidance and should in particular aim to utilise existing key skills and assets, and take account of simplicity of operation, speedy viability, appropriate legal form and reputational risks. Where appropriate, partnership working with other public services and private companies should also be considered.
 - g) The provision of any new traded service should be conditional upon completion of the pro-forma business case by the business owner and approved by the appropriate process of decision making to be covered in the policy.
 - h) The yearend position of traded services, whilst no longer required for the Statement of Accounts, should be reported to appropriate members so they can assess the service charges and provision as part of the ongoing continual improvement of the service and saving requirements.

Proposal

23. The Committee is invited to endorse the recommendations of the Traded Services Scrutiny Task Group, and forward to the Cabinet Member for Finance, Performance and Risk for consideration and response.

Cllr Peter Doyle– Chairman of the Traded Services Scrutiny Task Group

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Appendices

Appendix A

Draft Business Case Guidance

Draft Business Case Pro-forma