

From: **Gary Cooke, Cabinet Member for Corporate & Democratic Services**

and

Paul Carter, Leader and Cabinet Member for Business Strategy, Audit and Transformation

To: **Cabinet**

Decision No: **14/000150**

Subject: **Facing the Challenge – Property Future Service Delivery Model**

Classification: **Unrestricted**

Past Pathway of Paper:

Policy and Resources Cabinet Committee (January 2015)

Policy and Resources Cabinet Committee (July 2014)

Future Pathway of Paper:

**Governance and Audit Committee:
Business plan and governance review**

Electoral Division: **All**

Summary: This paper sets out the background and rationale and seeks approval for the establishment of a Local Authority Trading Company (LATC) to deliver the Council's Property services.

Property and Infrastructure Support was reviewed as part of the Facing the Challenge (FtC) Review Process Phase 1. The aim of the review was to evaluate the current service offer, considering how the service can best meet the continuing needs of the County Council over the medium to long term in a financially challenging environment as funding reduces.

Following a detailed analysis and an appraisal of the alternative service delivery options, a Local Authority Trading Company (LATC) model was considered to best meet the challenges faced by the council and provide the best opportunity to deliver medium to long term financial benefits. The Policy and Resources Committee in January 2015 resolved to endorse the proposed decision to be taken by Cabinet that a LATC be established as soon as possible based upon the presented business case.

Recommendation(s): Following consideration of the exempt report and appendices at Item 9, **Cabinet** will be asked:

1. To approve the formation of a wholly owned Limited Company subject to the comments of the Trading Activities Sub Committee (Governance and Audit) to deliver its Property Service based on the principles outlined in this report. The Local Authority Trading Company (LATC) will be established as soon as possible but trading will not commence until the necessary resources, approvals and commissioning functions for KCC are in place.

2. Subject to the proposed decision set out in recommendation 1 being taken, delegate authority to the Director of Infrastructure in consultation with the Cabinet Member for Democratic and Corporate Services to put in place the necessary arrangements to facilitate the establishment and ongoing control over the Local Authority Trading Company.

Report

- 1.1 Property was considered as part of the 'Facing the Challenge (FtC): Delivering Better Outcomes' phase 1 review process. A key part of this activity included market engagement alongside challenging key assumptions as to current service delivery. The Council operates a Corporate Landlord model with the property service delivering Strategic Asset Management, involving the active management of the KCC estate (asset reviews, acquisitions, disposals, lease management, etc.); and Asset Agency Services which involves Property acting as a manager or agent of a supply chain to design, build, modify and operate individual assets.
- 1.3 Property in response to the FtC review process, convened its own Property Transformation Group (PTG), including staff from across the service, and commissioned external advisors, Cornerstone, to support its journey and provide external challenge. Market engagement was also undertaken by the Facing the Challenge Team to provide an independent market review.
- 1.5 The detailed analysis of the current delivery model and options appraisal identified that P&IS concentrated around two core services:
 - Strategic Asset Management, which involves the active management of the KCC estate (asset reviews, acquisitions, disposals, lease management etc.). The KCC estate is managed in two portfolios, an operational portfolio and a disposals portfolio. A small external supply chain of professional services are used to support this element of the business; and
 - Asset Agency Service which involves P&IS acting as a manager or agent of a supply chain to design, build, modify and operate individual assets. This part of the business uses two major supply chains, a design and construction supply chain and an FM supply chain (which will be largely sourced through the Total FM contract).

- 1.7 Following the consideration of options it was concluded that the option which offered the greatest opportunity to meet the Council's objectives was Option 4: Externalise and establish a Local Authority Trading Company that is 100% owned by KCC.
- 1.8 The rationale for the establishment of LATC was considered by the Commissioning Advisory Board and the Policy and Resources Cabinet Committee. Both endorsed the establishment of a LATC as the preferred option and the proposed decision to establish the company.
- 1.9 The full report, including financial implications and proposed governance arrangements are set out in the exempt report.

2.0 TUPE, Pensions and HR Policies

- 2.1 Staff will TUPE transfer into the LATC with their existing terms, conditions and service protected and there will be a closed pension arrangement for existing KCC staff and a new scheme for new staff.

3.0 Equality Impact Assessment EQIA

- 3.1 The Equality Impact Assessment has been undertaken and will remain under review throughout the process and is set out in the exempt report.

4.0 Conclusion

- 4.1 The proposal for the future delivery of Kent County Council (KCC) property services has been considered as part of a structured review and analysis appraisal to meet the requirements of the MTFP

5.0 Recommendation(s): Following consideration of the exempt report and appendices at Item 9, **Cabinet** will be asked:

1. To approve the formation of a wholly owned Limited Company subject to the comments of the Trading Activities Sub Committee (Governance and Audit) to deliver its Property Service based on the principles outlined in this report. The Local Authority Trading Company (LATC) will be established as soon as possible but trading will not commence until the necessary resources, approvals and commissioning functions for KCC are in place.
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17. Background Documents

17.1 The following relevant background documents are available upon request, however these documents are commercially sensitive and are not for public review (Paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended, refers).:

- Fact Based Questionnaire, Director's Response including full options appraisal.
- P&IS Business Case April 2014
- Policy & Resources Cabinet Committee Paper 16 January 2015
- CPO Checkpoint Review Report
- P&IS Business Plan including transitional plan, Governance and Commissioning framework, Oct 2014

18. Contact details

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