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**To:** Governance and Audit Committee Trading Activities Sub  
Committee - 27 April 2016

**Subject:** Legal Services – Alternative Business Structure

**Classification:** Unrestricted

**Past Pathway of Paper:** Policy and Resources Cabinet Committee (14 March  
2016)  
Cabinet (21 March 2016)

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## Summary

This report sets out the background, rationale and governance arrangements for the establishment of an Alternative Business Structure, which involves the formation of a wholly owned, stand-alone company that will provide legal services to Kent County Council and the wider market.

## Recommendation

The Committee is recommended to approve the governance arrangements as detailed in this report and the exempt appendices.

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## 1. Background

- 1.1 Legal Services was part of the first phase of reviews undertaken as part of the Facing the Challenge process. The project was managed by a team comprising internal and external advisors and reported to the Transformation Advisory Group (TAG) with updates being presented to the Commissioning Advisory Board (CAB) and Policy and Resources Cabinet Committee, before receiving formal approval at Cabinet on 21 March 2016.
- 1.2 The original scope of the Legal Services review had the following three core aspirations for any new delivery model, when compared with the current in-house service:
  - **Better** - through a greater use of automated processes, greater resilience and reduced corporate and legal risk.
  - **Cheaper** - through lower overheads, reduced hours, cheaper rates, and shorter timescales leading to an overall reduction in total internal annual legal costs.

- **More profitable** - through increasing the level of external income generation.

1.3 These core aspirations remain at the heart of the proposal that is presented to Members in this report.

## **2. Governance and Controls**

- 2.1 The Alternative Business Structure (ABS) will be a company limited by shares and wholly owned by KCC with a separate KCC shareholder board. The detailed governance and controls will fully accord with the KCC protocol relating to companies in which KCC has an interest.
- 2.2 The requirement for an intelligent client function remains the same whether legal services is provided through an in-house team or an external ABS. The Council agreed this in February 2015 as part of the restructure of the Strategic and Corporate Services Directorate.
- 2.3 As part of the proposals for the creation of a stand-alone ABS, a Corporate Law and Assurance Team has been created, which will be responsible for monitoring the outputs of the company insofar as they deliver services back to KCC. As part of this process, the Director of Governance and Law post will be replaced by a General Counsel post operating in a different way to the role currently performed.
- 2.4 Due to the commercially confidential nature of the Alternative Business Structure, the detailed governance and controls are outlined in the exempt **Appendix 1**.

## **3. TUPE, Pensions and HR Policies**

- 3.1 Staff will TUPE transfer into the company with their existing terms, conditions and service protected. There will be a closed pension arrangement within the LGPS for existing KCC staff and a separate defined contribution pension scheme for newly appointed and promoted staff.

## **4. Conclusion**

- 4.1 The proposal for the future delivery of legal services has been considered as part of a structured review and analysis appraisal to meet the requirements of the MTFP. The commercial outputs have been carefully considered by TAG, CAB and Policy and Resources Cabinet Committee which led to the Cabinet decision to proceed. The governance and controls fully apply the lessons and learning gained from Commercial Services and adheres fully to the KCC Companies Protocol.
- 4.2 The business case considered and approved by the Policy & Resources Cabinet Committee on 14 March 2016 is attached as **Appendix 2**, and the supporting S151 Officer's Report as **Appendix 3**.

## **5. Recommendations**

5.1 The Trading Activities Sub-Committee is recommended to approve the governance arrangements as detailed in this report and the exempt appendices.

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