

Report To: Cabinet

Date of Meeting: 30th July 2019

Lead Member / Officer: Cllr Bobby Feeley & Cllr Julian Thompson-Hill

Report Author: Graham Boase

Title: Implementation of an Alternative Delivery Model (ADM) for various leisure related activities/functions

1. What is the report about?

1.1 The report is about the costs required to implement the not for profit Local Authority Trading Company Limited by Guarantee, (LATC), for the delivery of various leisure related activities and functions, and the associated net saving to the Council in the first year.

2. What is the reason for making this report?

2.1 To obtain Cabinet's approval of the one off implementation cost of the project as outlined in Appendix A, and to advise Cabinet of the revised net savings that the Council will realise in 2020/21.

What are the Recommendations?

3.1 That Cabinet support the implementation of the project to deliver a not for profit Local Authority Trading Company Limited by Guarantee.

Report details

4.1 On 30th May 2019 Council agreed to support the creation of a not for profit Local Authority Trading Company Limited by Guarantee (ADM) as an alternative delivery model for the delivery of various leisure related activities and functions.

4.2 Over the last two months' the project team has been working through the fine detail associated with the operation of the in scope facilities functions activities, relative to the current delivery arrangements. This has enabled a fuller understanding of the scope of the work to be completed during the implementation phase, that will enable the LATC to operate independently of the Council, but with the control and the financial and support mechanisms in place, that will satisfy the legal and accounting requirements of both the LATC and the Council.

4.3 Further to the assessment of what needs to be achieved to enable the LATC to be operational by the start of the next tax year, (6th April 2020), the one off implementation cost is now projected to be £391k and the associated net revenue savings in year 1 have been reassessed and are projected to be £785k. Further detail regarding the cost breakdown can be found within Appendix B.

4.4 In terms of any future savings requirements that the Council will need to consider, it is absolutely clear that the LATC will be required to contribute to the Council's budget process each year, in the same way as the functions "in scope" have done in previous years.

5. How does the decision contribute to the Corporate Priorities?

5.1 The decision will not impact adversely on the Corporate Priorities, as the ADM will be contracted by the Council to provide the existing services associated with the in scope activities/functions.

6. What will it cost and how will it affect other services?

6.1 There is a one off project cost of circa £391k if the implementation of the ADM is approved. The reassessment of the business case figures has projected that a net revenue saving of £785k will be achieved in year 1.

6.2 The Council's service portfolios have been restructured to accommodate the service delivery from the Facilities Assets and Housing Service that is out of scope of the ADM, and there will need to be some rationalisation of budgets in this respect.

5. What are the main conclusions of the Well-being Impact Assessment (WIA)?

7.1 The WIA was carried out by a multidisciplinary group of officers representing Leisure, HR, Finance, Business Support, Support Services, Community Wellbeing, Corporate Property, Strategic Planning & Performance and Project Management.

7.2 Overall the impact of the project was assessed as neutral, reflecting that at this stage the consideration is about an alternative way of delivering a defined set of activities/functions, it is not about delivering different or alternative activities/functions.

8 What consultations have been carried out with Scrutiny and others?

8.1 External consultation

- Discussion with legal and VAT experts who have provided expertise to the project.
- Other local authorities who have established ADM's for their lessons learnt.
- Welsh Audit Office for advice
- 'Local Partnerships' an external organisation who have provided guidance in respect of the process.
- Rhyl Town Council in respect of their interest within SC2.
- Trade Unions in respect of the impacts on staff.
- Arts Council for Wales in respect of grant funding

8.2 Internal Consultation

- Cabinet Briefing, Cabinet, Council, Members Budget Workshop where the Project has been shared informally, and a Member Workshop specifically about the ADM.
- All MAGs
- Reports to SLT in respect of the Project Brief, and the restructuring of services required should the project be approved.
- Staff briefings which included face to face information sharing with all Managers within FAHS, a written staff briefing to all leisure related staff, and Middle Managers across the Council, face to face staff briefings with all leisure staff, and formal consultation with all staff affected by any restructuring of services.

9. Chief Finance Officer Statement

- 9.1 The Alternative Delivery model is an opportunity to make significant savings by delivering the facilities highlighted through a different legal structure. As the Council continues to have to manage growing pressures with reducing resources, the creation of a local authority controlled company to operate the facilities and services highlighted, provides the vehicle to generate a level of savings without necessarily having to cut services. The report sets out the estimated savings and costs associated with the decision.
- 9.2 It is important to note that a saving of £850k was taken in 2019/20 which largely related to the decision to delay charging prudential borrowing costs relating to the SC2 construction works in the first year of its operation. The intention was that the ADM projects savings (VAT and NNDR) would replace the £850k one-off savings with a permanent ongoing revenue saving. Any shortfall in achieving this saving would result in the need to put a budget pressure in the Medium Term Financial Plan.
- 9.3 Although the work put into refining the Business Case and implementation costs is welcomed, this remains a complex multi-disciplinary project that by its nature may involve further implementation costs and/or ongoing pressures that have not yet been foreseen. However, failure to deliver the project would result in the need to reverse the full £850k saving referred to above.
- 9.4 There is an expectation from the Budget Board that a new ADM will continue to contribute to the Council's savings agenda and this will have to be reflected in future business plans. The proposed company model provides a legal structure that allows for commercial growth to be considered, which if successful, may contribute to the savings agenda and help to reduce the level of financial support from the council.

10. What risks are there and is there anything we can do to reduce them?

- 10.1 There are risks associated with the implementation of the ADM and these have been included within the business case, and will be monitored throughout the project. The key risks are:-

- Changes in National Legislation in the future could prevent the anticipated business rate savings from being fully realised.
- The VAT savings cannot be fully achieved through a non for profit LATC model and/or charitable status is required for those to be fully realised, which increases the regulated regime and associated cost.
- There are unforeseen additional one-off or on-going costs with the establishment of the ADM not have not been taken into account at the implementation stage.
- The ADM is not as financially successful as hoped and any resultant additional costs fall back on the Council to fund and/or the Company is unable to make the adequate reinvestment into its day to day business activities due to lack of funds.

11. Power to make the Decision

s2 Local Government Act 2000

s95 Local Government Act 2003

Local Government (Best Value Authorities)(Power to Trade)(Wales) Order 2006