


Report To: Council

Date of Meeting: 15th October 2019

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

Report Author: Graham Boase Corporate Director: Economy and Public Realm
Gary Williams Head of Legal, HR and Democratic Services

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



1. What is the report about?

This report is about the composition and appointment of the Board of Directors of Denbighshire Leisure Limited (the Company)

2. What is the reason for making this report?

The reason for this report is to seek Council's approval of the composition of the Board of Directors of the Company, the appointment of a number of the Directors, and the method by which the remaining Directors will be appointed.

3. What are the Recommendations?

- 3.1 That Council approves the composition of the Board of Directors of the Company as set out in paragraph 4.8 of the report, and formally appoints the Lead Member for Well-being and Independence, the Lead Member for Education and Children's Services and the Managing Director as directors of the Company
- 3.2 That the Council appoints one Councillor who is not a Cabinet member to be a director of the Company
- 3.3 That the Council approves the proposed recruitment process for the appointment of two Independent Directors and appoints three Councillors to sit on the recruitment panel as set out in paragraph 4.7 of the report
- 3.4 That Council confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 1, Ref no 564), as part of its consideration.

4. Report details

- 4.1 On 30th May 2019 Council approved the creation of a not for profit Local Authority Trading Company Limited by Guarantee as an alternative delivery model for the provision of leisure services on behalf of the Council.

- 4.2 At that meeting Council also approved the appointment of the Corporate Director: Economy and Public Realm as a Director of the company in order that there be at least one Director as required by law upon incorporation.
- 4.3 The Full Business Case that was presented to Council on 30th May provided a suggested Board composition which included the role of Finance Director. Further work on the governance of the company has suggested that there is no requirement for a Finance Director to be appointed to the Board and that the proper financial expertise, advice and control of the company can be provided otherwise than by creating such a position on the Board.
- 4.4 It is important that the Board of Directors has the appropriate mix of skills to maximise the business potential of the Company's operations. The monitoring and oversight of the Company's performance against the Council's requirements for the delivery of the in scope services, will be the function of the Strategic Governance Board as referred to in the Business Case and Member Agreement, both of which documents were approved by Cabinet.
- 4.5 There is no statutory requirement as to the size of the Board of Directors. The suggestion contained within the Business Case was that there be a Board of seven Directors. It is proposed that certain of the positions on the Board of Directors will be filled as a consequence of holding a particular employment or office i.e. Corporate Director, Managing Director, Lead Member for Well-being and Independence, and Lead Member for Education, Children's Services and Public Engagement.
- 4.6 There is a need to identify and appoint the remaining Board members. In addition to the Lead Member for Well-being and Independence, and the Lead Member for Education, Children's Services and Public Engagement, it is suggested that there be an additional non-cabinet member Directorship, with business experience and/or an interest in the leisure sector; this appointment should be made with the relevant skills and abilities in mind. The role description for directors has been circulated to all political groups by officers via group leaders and nominations sought for the non-cabinet member directorship of members considered suitable for this role. All nominees were required to submit their nomination, setting out the reasons why they meet the role description to the Head of Legal, HR and Democratic Services by 12 noon on Friday 11th October 2019. Officers have circulated the submitted nominations and associated information in advance of the Council meeting. Council is asked to elect a member to this role.
- 4.7 In respect of the remaining two Director positions to be filled, it is suggested that these could be filled by independent persons recruited by open advertisement. It is proposed that one of these roles be advertised with an emphasis on persons with a commercial leisure/ finance background, and the second with an emphasis on persons with a community development/leisure background. It is proposed that the Independent Directors be recruited in a similar way to that of Independent Members of the Council's Standards Committee. This involves an external advertisement and the establishment of a recruitment panel consisting of three elected members nominated by Council, together with the Managing Director, the Corporate Director and support from HR, to shortlist and then interview prospective candidates. The recruitment panel would then make a recommendation of an appointment to Council for approval.

4.8 The Board of Directors could therefore be composed of the following:-

Corporate Director: Economy and Public Realm

Lead Member for Well-Being and Independence

Lead member for Education, Children's Services and Public Engagement

Managing Director

Independent Director x 2, and

A non-Cabinet member

4.9 A role description for the Directors is attached as Appendix 2

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

The decision will not impact adversely on the Corporate Priorities, as the LATC 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?

The costs associated with the Board of Directors will be the cost of providing Directors Indemnity Insurance. There will also be the cost of the remuneration of the Independent Directors. It is proposed that the Independent Directors will receive the same attendance payments as Co-opted members of Scrutiny, independent members of Standards Committee and the lay member of Corporate Governance Committee as set by the Independent Remuneration Panel for Wales.

7. What are the main conclusions of the Well-being Impact Assessment?

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 are providing expertise to the project.
Other local authorities who have established ADMC'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, 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

The appointment of the Board of Directors of the new Denbighshire Leisure Limited is a necessary step towards setting up the governance structures of the new company. The proposed structure is supported. All costs have been taken into account as part of the current Business Case.

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 are included within the business case. The key risks are as stated below and the detailed risk register for the project is included in Appendix 3.

- 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