

<b>DECISION-MAKER:</b>	<b>CABINET</b>		
<b>SUBJECT:</b>	<b>LOCAL AUTHORITY TRADING COMPANY ('LATCO') FOR SOME COUNCIL SERVICES</b>		
<b>DATE OF DECISION:</b>	<b>16 JANUARY 2018</b>		
<b>REPORT OF:</b>	<b>CABINET MEMBER FOR SUSTAINABLE LIVING</b>		
<b><u>CONTACT DETAILS</u></b>			
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### **STATEMENT OF CONFIDENTIALITY**

Appendices 4 and 5 are exempt from publication by virtue of the Council's Access to Information Procedure Rules as contained in the Constitution as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). If the appendices were to be treated as a public document it would reveal information that is both commercially sensitive and detrimental to the business affairs of the Council.

### **BRIEF SUMMARY**

The purpose of this report is to:

1. update Cabinet on the progress achieved on the Local Authority Trading Company (LATCo) project since the last Cabinet report in August 2017; and to
2. seek endorsement of
  - a. the continued implementation of this transformation programme;
  - b. the development of a Collective Agreement for the LATCo based on the Draft Memorandum of Understanding being developed with the Council's recognised trade unions; and
  - c. the launch of a Best Value consultation process

The report summarises the current proposed governance arrangements for the LATCo (paragraphs 19 to 25), the intended relationship / ways of working between the LATCo and its 'parent' organisation Southampton City Council (SCC) (paragraphs 26 to 41), staffing considerations (paragraphs 42 to 48), a phasing approach for the migration of services (paragraphs 49 to 67), and the proposed consultation activity to following this Cabinet meeting (paragraphs 68 to 80).

A report with the final proposals and business plans for the LATCo will be presented for consideration and approval by Council in May/June 2018.

### **RECOMMENDATIONS:**

	(i)	To note the progress on the proposed establishment of the LATCo and endorse the continued implementation of the programme based on the proposals contained in this report, namely; <ul style="list-style-type: none"> <li>▪ the proposed governance arrangements;</li> <li>▪ the migration of services in the proposed order of priority; and</li> <li>▪ the development of final business plans for the LATCo services.</li> </ul>
	(ii)	To note the proposed cross-party composition of the Shareholder's Group for the LATCo.

	(iii)	To endorse the launch of a Best Value consultation, and further briefings with staff on the emerging proposals for the LATCo.
	(iv)	To note that a further specific consultation with tenants and leaseholders (required under s27/105 of the Housing Act (1985)) will follow later in the year (2018) to cover the proposed transfer of Housing Services to the LATCo. Formal staff consultation will also be required later in the year relating to TUPE, should Full Council approve final proposals.
	(v)	To note that the outcome of the staff and Best Value consultations, as well as the final recommendations on the establishment of the LATCo, including the staffing provisions, governance arrangements, financial implications and operational plans will be presented to Council (as determined by the Constitution) for final decision May/June 2018.

### **REASONS FOR REPORT RECOMMENDATIONS**

1.	To fulfil the Council's legal requirements for undertaking a Best Value consultation on its proposals for the services in question.
2.	To enable the on-going transformation of a range of in-scope council services, particularly the need for a new operating model that supports on-going cost efficiency in the delivery of services back to the Council, together with further commercialisation and potential trading opportunities.
3.	To maximise the effective, efficient and economic management and operation of the in-scope services.
4.	To develop a commercial capacity that can, where appropriate and in the public interest, profitably trade the services with other councils, public sector organisations, businesses and, where relevant, residents of the City and the broader commercial market.
5.	To support the Council in achieving its aim of continuing to grow the local economy, bringing investment into the city and increasing employment opportunities for local people.

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

6.	The original options appraisal presented to Cabinet in December 2016 considered a number of service delivery models including: the option to retain and to continue operating the services 'in-house' as undertaken currently; outsourcing; joint venture; and disposal. These options did not support the aims and aspirations of the Council to the same extent as the recommended option of establishing a LATCo.
7.	After the Cabinet meeting of December 2016, further consideration was given to how the preferred LATCo option could be structured and three 'variant' options were presented to Cabinet in August 2017. These included: <ul style="list-style-type: none"> <li>▪ Establishing the LATCo with no external partner support;</li> <li>▪ Establishing the LATCo with external partner support for all services in scope;</li> <li>▪ Establishing the LATCo with external partner support for some of the services in scope.</li> </ul>
8.	Following consideration of these variant LATCo options and the representations obtained on them from the initial Best Value consultation

	held in June/July 2017, Cabinet agreed that the option of establishing a LATCo with no external partner support was in the best interests of the Council, and that the continued development of the LATCo project should proceed on this basis.
<b>DETAIL (Including consultation carried out)</b>	
	<b>BACKGROUND</b>
9.	In April 2015 Southampton City Council launched a major transformation programme aimed at improving customer service and outcomes, organisational capability and practice, and the need to close a projected financial gap of £90m by the financial year 2019/20.
10.	A significant number of change programmes and projects have been identified from these activities. Key among these was a proposal to Cabinet in December 2016 to consider the establishment of a Local Authority Trading Company ('LATCo') as the next stage of organisational development for the following Council services: Housing Management and Housing Operations; Street Cleansing; Waste Management & Collection; Parks & Open Spaces; Car Parking, Ticketing and Barrier Operations; Facilities Management; Itchen Bridge Operations; and Transport.
11.	At its meeting in December 2016, Cabinet favoured the LATCo option over alternative delivery model options and approved the launch of the LATCo programme with the objective of establishing a Local Authority Trading Company for the management, delivery and commercialisation of Street Cleansing; Waste Management & Collection; Housing Operations & Housing Management; Parks & Open Spaces; Car Park Operations; Facilities Management; Itchen Bridge Operations; and Transport. At the time, Cabinet also considered the potential option of appointing one or more public and/or private sector partners to support the LATCo in the discharge of its duties.
12.	Following the Cabinet meeting in December 2016, the LATCo project activity focused on: <ul style="list-style-type: none"> <li>▪ establishing and embedding the governance for the project;</li> <li>▪ preparing for any potential procurement process;</li> <li>▪ collecting operational and financial service related information on the services in scope;</li> <li>▪ reviewing service specifications and challenging the need or opportunity for improved performance and service outcomes;</li> <li>▪ considering how the LATCo could be structured and established; and</li> <li>▪ preparing and undertaking an initial Best Value consultation process in June/July 2017 on the proposed establishment of the LATCo, the functions within scope, and the variations on the structural form that the LATCo could take.</li> </ul>
13.	Following consideration of the representations made on the variant LATCo structure options, including feedback arising from the Best Value consultation, Cabinet selected the establishment of a LATCo without the procurement of an external partner as its preferred variant option. Cabinet also endorsed the proposal to remove the Itchen Bridge operations from the scope of services for the LATCo and approved the addition of Pest Control services.
14.	The key objectives from the implementation of the programme and the

	<p>establishment of the LATCo remain unchanged and include:</p> <ul style="list-style-type: none"> <li>▪ continuous improvement to the effectiveness, efficiency, and economy of the services provided by the LATCo to the Council ('Key Objective 1'); and</li> <li>▪ a platform for growth focused on the development of new and existing income streams from external third party trading ('Key Objective 2').</li> </ul>
15.	<p>The expected benefits in relation to Key Objective 1 include:</p> <ul style="list-style-type: none"> <li>▪ providing management with greater flexibility to shape future service provision;</li> <li>▪ building on existing service quality and improving the service experience to customers (citizens, businesses, and visitors) through the development and improvement of service offerings; and</li> <li>▪ supporting quicker decision making and more organisational agility in responding to, and proactively addressing, changes and opportunities in the market.</li> </ul>
16.	<p>The expected benefits in relation to Key Objective 2 include:</p> <ul style="list-style-type: none"> <li>▪ enabling the Council to pursue income generation activity across all service sectors and price / charge for its services accordingly;</li> <li>▪ enabling the Council to attract commercial acumen;</li> <li>▪ exploring employee engagement options; and</li> <li>▪ establishing the foundation for future partnering or cross council / public authority working.</li> </ul>
<b>PROJECT UPDATE</b>	
17.	<p>Since the Cabinet meeting in August 2017, project activity has focused on:</p> <ul style="list-style-type: none"> <li>▪ a re-alignment of the programme strategy to take account of the decision not to pursue the procurement of an external partner to support the LATCo;</li> <li>▪ the development of new workstream activity to address considerations of service improvement and business development opportunities that were earmarked for discussion as part of the aforementioned procurement process;</li> <li>▪ the development of the governance arrangements for the LATCo;</li> <li>▪ considerations for prioritising the migration of services from the Council to the LATCo;</li> <li>▪ continued analysis of the financial make-up of the services and their product offerings;</li> <li>▪ discussions with the Unions on staffing considerations and the development of a draft memorandum of understanding as a precursor to a Collective Agreement for LATCo staff; and</li> <li>▪ planning the activity to support next stage Best Value consultation.</li> </ul>
18.	<p>Changes were also made to the composition of the Strategic Board overseeing the project. This involved increasing the number of Cabinet Members and including all members of the Council's Strategic Leadership Team, and the Monitoring Officer, while retaining the same involvement of Union representatives as observers. These changes were introduced to enable faster decision making and provide greater senior visibility, leadership and accountability as the programme progresses further towards its conclusion.</p>
<b>PROPOSED GOVERNANCE FOR THE LATCO</b>	

19.	As outlined in previous Cabinet reports, local authorities may use powers to trade as found in the Local Government Act 2003 and under the general power of competence in the Localism Act 2011. However, they must establish a company if they wish to carry on trading activities for profit or with the private sector. Section 4 of the 2011 Act permits authorities to provide a service on a commercial basis through a company.
	<b>Form of Company</b>
20.	The formation of a company can take different forms and the one advised for consideration by the Council for the purpose of its LATCo is a private company limited by shares and wholly owned by SCC.
21.	A private company limited by shares is the most popular type of company formed in the UK. It is also the most common type of company used by local authorities, particularly in the context of trading services. This type of company is owned by shareholders (in this case the Council) and managed by Directors. Profits generated through the company's traded activity can be reinvested in the company or distributed to the shareholders in the form of dividends (in this case, to the Council for reinvestment in its other services including housing). A key characteristic and attraction of a company limited by shares is that the shareholders' liability is limited to the value of the shares they hold in the company.
22.	The 'business' of the company is managed by Directors who are appointed by the shareholders to act on their behalf. The Directors have a legal obligation to do everything in their power to act in the best interest of the company, in full accordance with the Articles of Association (attached at Appendix 2) of the company as established by the shareholders.
23.	The Articles of Association of a company are essentially its 'constitution' and outline, among other things, the decision making powers of the Directors and any limitations on such powers, as reserved by the shareholders.
24. 24.1	<p>Provisions of the Articles that are of particular note include:</p> <p><i>Number and Appointment of Directors</i></p> <p>The Articles propose the appointment of 6 Directors, comprising of 4 Executive Directors and 2 Non-Executive Directors. Executive Directors are engaged full time in the day to day running and administration of the company, while Non-Executive Directors are not, contributing instead through (mainly) participation of board meetings to oversee, challenge, but also advise on the performance of the company.</p> <p>The 4 Executive Directors would consist of:</p> <ul style="list-style-type: none"> <li>▪ an elected SCC Council Member (appointed at the Council's AGM);</li> <li>▪ SCC's Chief Operating Officer, who would also hold the position of Managing Director for the company;</li> <li>▪ SCC's Service Director, Finance and Commercialisation (the Council's designated s151 officer), who would also hold the position of Finance Director for the company; and</li> <li>▪ one of the senior managers of the company, nominated by the company's MD and appointed by the Shareholder Group (see below).</li> </ul> <p>The intention is that 2 Non-Executive Directors would be appointed from the external market and would be people who do not hold office in the Council. Their appointment would be by the Shareholder Group (see below). The</p>

	purpose of such appointments is to attract external, senior talent to provide independent advice and challenge to the business activities of the company.
24.2	<i>Decision making by the Directors</i>
	<p>The Articles propose that each Director has a single vote and that decisions of the Directors are passed by simple majority, with two exceptions:</p> <ol style="list-style-type: none"> <li>1. decisions of a material financial nature which, in the opinion of the Executive Director holding the position of Service Director, Finance and Commercialisation (SCC’s designated s151 Officer), have the potential to have a material adverse effect on the financial affairs of the company and/or SCC; and</li> <li>2. decisions requiring the consent of the Shareholder.</li> </ol> <p>In the former case, for a decision or resolution to be passed, the Executive Director holding the position of SCC Service Director Finance, and Commercialisation MUST vote in favour of the decision. In the latter case, the Directors MUST seek the approval of the council (as Shareholder) for the decision to take effect.</p>
24.3	<i>Decisions requiring Shareholder consent and Reserved Matters</i>
	<p>As a private company limited by shares, the LATCo will be a separate legal entity to SCC, even though the company will be wholly owned by the Council. As such, the decisions taken by the Directors of the company are binding on the company. The purpose of introducing a requirement on the Directors to seek the consent of the Shareholder on decisions of a certain nature is therefore to provide SCC with the right to approve and, if necessary, reject certain decision from being taken.</p> <p>The decisions that require such consent are summarised in Appendix 1.</p>
24.4	<i>Shareholder Representative</i>
	<p>As the Shareholder of the LATCo is, in this case SCC, and the ultimate accountable body is the Council, any company decisions reserved for the Shareholder would need a Council or Cabinet meeting for resolution, unless appropriate delegations are introduced. This is no different to the system of delegations that exist for the day to day management of the council’s own affairs.</p> <p>The Articles of the LATCo therefore make provision for a ‘Shareholder Representative’, which is defined (in Article 1) as:</p> <p style="padding-left: 40px;">“such person or body nominated by the Holder or Holders of the Shares to exercise all rights of the Holder or Holders in relation to the company”.</p> <p>The concept of a ‘Shareholder Representative’ is introduced in the Articles to provide an administrative mechanism by which actions or duties of the shareholder can be carried out in a practical and efficient manner without always requiring a meeting of full Council to discuss and resolve them. While the nature of some duties (as outlined in Appendix 1) <u>will</u> necessitate a meeting of full Council or Cabinet to act as shareholder, most other requirements for consent can be carried out on behalf of Council through delegated authority, the details on which are still being worked through. The officers or bodies of SCC to which delegation for such consent is proposed are identified in Appendix 1. This is subject to refinement.</p>
24.5	<i>Shareholder’s Group</i>
	Of particular note in relation to the concept of Shareholder Representative is

	<p>the proposal for the establishment of a Shareholder Group to act as one of the Shareholder Representatives and assume particular responsibilities in relation to specific governance matters.</p> <p>It is proposed that the Shareholder Group consists of 7 elected Council Members appointed at each Council Annual General Meeting. Five (5) of the appointments would be made by the Leader while the remaining two (2) appointments would be from the Opposition. The appointments do not have to be politically balanced.</p> <p>Cross party representation is intended to ensure that oversight of the LATCo is primarily addressed from a business and apolitical perspective as the nature of the matters referred to this group are of a commercial rather than policy or political nature.</p> <p>Decisions of the Shareholder Group will be by simple majority and in addition to attending and voting at General Meetings of the company, the Shareholder Group will also be responsible for providing (or denying) consent to the matters reserved for the shareholder as identified in Appendix 1.</p>
25.	A copy of the proposed Articles of Association for SCC's LATCo is enclosed in Appendix 2 for review and consideration.
	<b>“One Council”</b>
26.	Although activity will be transferring to the LATCo and operated ‘at arms length’ of the council, the company will still be part of the broader SCC ‘family’ and will mirror its general policies, work ethic and code of conduct for public services, so that it develops itself as “a business with a social purpose”.
27.	SCC will exercise influence on the LATCo and its services in two ways: the first in its role as sole owner and shareholder of the LATCo, and the second in its role as Client to whom the LATCo will be delivering services.
28.	<p>As Shareholder of the LATCo, the council will exercise control through the company's Articles of Association and the reserved matters outlined earlier, key responsibilities among which include:</p> <ol style="list-style-type: none"> <li>1. appointing the company Directors to manage the LATCo, including the appointment (and dismissal) of the senior managers of the LATCo;</li> <li>2. agreeing and controlling ultimate sign-off of the business plan setting the vision and market ambition to be pursued by the LATCo;</li> <li>3. setting and controlling the budget required by the LATCo to implement the agreed business plan, including restrictions on financial investment and expenditure and parameters for strategic business growth;</li> <li>4. setting, and agreeing any variations to, staff terms and conditions;</li> <li>5. providing the LATCo with the financial capital investment it requires to implement the agreed business plan; and</li> <li>6. setting a framework of authority under which the LATCo management can operate freely to implement its business plan.</li> </ol>

29.	<p>In its role as ‘Client’, SCC will control and be responsible for:</p> <ol style="list-style-type: none"> <li>1. the initial transfer of staff to the LATCo under TUPE and the retention of common terms and conditions;</li> <li>2. setting and controlling the budget for the service activities in question;</li> <li>3. determining the extent of the activities required from the LATCo and the expected standard of service to be provided, both of which effectively comprise an output specification for the LATCo to comply with;</li> <li>4. controlling ultimate sign-off of the LATCo’s proposed service plans underpinning service delivery to SCC against the aforementioned output specification;</li> <li>5. agreeing an effective price and payment mechanism for the said services; and</li> <li>6. paying the LATCo for the services received from it.</li> </ol>
30.	<p>To maximise efficiencies, and ensure uniform standards of service across all Council services, the LATCo will initially be required to source its back office support services (procurement, IT, HR, finance, legal, business support, insight, intelligence and communications) from existing in-house or partnered arrangements.</p>
31.	<p>Although the LATCo will be part of the ‘SCC family’ and subject to the aforementioned controls, it must operate independently and commercially in order to ensure that its business is conducted competitively and in the best interest of its customers. Being part of the SCC family should not result in the LATCo being treated more favourably than other providers. As such, the services provided to SCC by the LATCo (and vice-versa) will be governed by Services Level Agreements comprising of:</p> <ul style="list-style-type: none"> <li>▪ a description of the services provided, including as necessary agreed plans for service change and improvement;</li> <li>▪ a description of the service and output specification, including performance measures and KPIs;</li> <li>▪ a description of the governance arrangements for the management, monitoring and reporting of service outputs and outcomes; and</li> <li>▪ a description of the payment mechanism to support the provision of services.</li> </ul> <p>Although this may seem formal considering SCC owns the LATCo, this arrangement is considered important to ensure that:</p> <ol style="list-style-type: none"> <li>1. there is no ‘relaxation’ (perceived or otherwise) to the council’s expectations of service performance and improvement from the LATCo, and the LATCo is not treated more favourably by the Council than a third party partner or supplier of services;</li> <li>2. the LATCo is subjected to a client-provider experience that will provide it with the ‘grounding’ and foundation required to contract on similar grounds with other Authorities and third parties as it grows its business;</li> <li>3. the LATCo has the opportunity to operate at ‘arms-length’, enabling it to experience the commercial realities of operating to a contracted price (and bottom line) that is not automatically ‘bailed out’ when things go wrong; and</li> <li>4. the council’s dual role of client and shareholder is not ‘blurred’, allowing the council to maintain closer control on what it receives from</li> </ol>



	<p>the LATCo as a client so that Southampton residents and customers are never disadvantaged by the LATCo chasing alternative business, but likewise affording the LATCo more ‘liberty’ (within an agreed framework of authority) to respond quickly and effectively to market opportunities and make its own decisions in relation to its market making growth activity.</p>
	<p><b>Leadership and Management</b></p>
32.	<p>Responsibility for the leadership and management of the company is statutorily vested in the company’s Directors.</p>
33.	<p>On a day to day basis, the management of the company will be the responsibility of a management team, initially comprising of a Managing Director, Finance Director, Commercial Director, and Operations Director.</p>
34.	<p>The Managing Director will have overall responsibility for the day to day leadership of the company and will also be a (statutory / board) Director of the company; the person holding this role will be the council’s Chief Operating Officer. This dual role will ensure that the company has the widest accountability to pursue its services and new business, while ensuring that its growth is consistent with and sympathetic to the Council’s priority outcomes and social values.</p>
35.	<p>The Finance Director of the company, who will also be a (statutory / board) Director of the company, will be accountable to the Managing Director for the financial management and administration of the company. The company Finance Director will also be a (statutory / board) Director of the company and the person holding this role will be the council’s Service Director Finance &amp; Commercialisation (SCC’s designated s151 officer). This dual role is particularly important in the initial formative stages of the company and is intended ensure that the company’s financial performance is supportive of, and consistent with, the council’s funding and investment priorities.</p>
36.	<p>The Operations Director of the company will be responsible for managing the day to day operational delivery requirements of the services provided by the LATCo. The remit of this role is the achievement of Key Objective 1 of the LATCo i.e., continuous improvement to the effectiveness, efficiency and economy of the services provided by the company.</p> <p>At this stage it is envisaged that the services transferring to the LATCo will be grouped into three business units, or service delivery arms (‘SDA’). One SDA will comprise of waste management and collection services, street cleansing, parks &amp; open spaces, pest control and fleet management. A second SDA will cover transport services, facilities management and car park operations. The third SDA will deliver housing management and housing operations services.</p> <p>As it is proposed that the services migrate to the LATCo in a phased approach (see ‘Proposed Migration of Services’ - paragraphs 48 to 56 below), it is currently envisaged that the role of Operations Director should at least initially be occupied by one person, and that this should be the SCC Service Director responsible for Transactional &amp; Universal Services given that the first group of services proposed for transfer currently fall within the remit of this office. The Service Director, Transactions &amp; Universal Services will also continue to retain this role in the council, with responsibility for complementary client side functions, as well as the delivery of current</p>

	<p>services that are not envisaged to transfer to the LATCo.</p> <p>This arrangement will need to be reviewed as and when the other services also migrate to the LATCo. Thereafter, periodic reviews will also be required to take account of changing leadership and management requirements arising from new business and growth and which may result in the need for additional Operations Director (perhaps focusing on other non-SCC contracts) in the future.</p>
37.	<p>The Commercial Director of the company will be responsible for client relationships and business growth. Their remit is the delivery of a platform for growth focused on the development of new and existing income streams from external third party trading ('Key Objective 2' of the LATCo).</p> <p>The functions and responsibilities of the Commercial Director will include sales, market and business development, bid management, new contract development and negotiation, client account management and strategic customer relationships.</p> <p>This commercial role will be new to the LATCo. It is not a service or function that will be transferring from the council.</p> <p>The purpose of establishing this function in the LATCo is to give the company clear and unfettered leadership to focus on new business growth. The shape and size of the sales and commercial activity cannot be determined at this stage and will need to evolve as the company starts to bid for and win new contracts. However, as this activity is undertaken by a new post of Commercial Director and their team, there will be an on-going need for business development support activities including market research, branding, marketing, promotion and advertising campaigns, client communications, and new product/service development initiatives. As the council already possesses a number of the skills required to support such activity, and is also looking to grow this expertise to support the commercialisation of other services that are not transferring to the LATCo, it is the council's intention to retain these aspects of commercial activity within the council and requires the commercial function within the LATCo to draw upon such skills and expertise. Likewise, as the LATCo develops and grows sales and market making capabilities, the council will look to commission these skills to support the sales and business development activities of services retained by it that may commercialise elements of their activity to third parties.</p> <p>Besides avoiding duplication of resource and cost across different entities of SCC, this approach will ensure cross-fertilisation of skills and expertise, the development of a single, strong brand (where appropriate) and career enhancing opportunities for staff across the council and the LATCo.</p>
38.	<p>The Operations Director or the Commercial Director of the LATCo may also be appointed as a (board / statutory) Director of the company.</p>
39.	<p>On its formation, the LATCo will only have SCC as a client, but the grouping of the services it will provide to the council will cover approximately £45m of annual expenditure and around 600 staff. This will grow as the company successfully wins additional new business. Given the size of the company on formation, and the Council's relative inexperience of owning/managing private companies limited by shares, the proposed LATCo structure also provides for a company secretarial function to support the business of the</p>

	board of Directors.
40.	To maximise the return on investment on this proposed role, the proposed structure also assigns to the role the management and co-ordination of all the support service activity (except for finance) that the company will be 'procuring' from SCC. Taken collectively, the company secretarial function and the coordination of the SCC provided support services roles are grouped into a single 'Business Administration Manager' role. The Business Administration Manager will report to the Managing Director on all matters relating to the day to day provision of the support services, but will be directly accountable to the Chair of the Board of Directors for the administration of company secretarial functions undertaken on behalf of the board. The functions of this role may be procured from SCC or delivered directly by the LATCo.
41.	Enclosed in Appendix 3 is a high level functional structure for the LATCo, highlighting the aforementioned leadership roles, the grouping of activities in the LATCo and the proposed working arrangements for the provision of support service activity from SCC to the LATCo. It should be noted that the management costs of the LATCo have been minimised by structuring 3 of the 4 Director roles as joint roles with SCC, leaving only two new posts (Commercial Director and Business Administration Manager) which need to be funded through the LATCo's business activities.
	<b>STAFFING CONSIDERATIONS</b>
42.	The establishment of the LATCo will involve a TUPE transfer of staff as the services that will be delivered by the LATCo (legally, a separate entity albeit wholly owned by the council) are currently undertaken by council in-house services.
43.	Staff transferring from the council to the LATCo will retain all existing employment rights, terms and conditions. This includes existing LGPS pensions' membership. New staff employed by the LATCo to deliver council services will be offered the same terms and conditions. The position regarding the terms and conditions of new staff transferring to the LATCo as a result of contracts won from other organisations is still to be agreed with the recognised Trade Unions, but again TUPE may apply.
44.	While the council is clearly committing that the terms and conditions of staff transferring to the council will remain unchanged, a draft Memorandum of Understanding capturing the details underpinning such commitment is being discussed with the recognised trade unions. This draft Memorandum is intended to form the basis for a formal Collective Agreement between the LATCo and the Unions and, subject to endorsement by this Cabinet and ratified by Council in May/June 2018, will come into force upon formation of the LATCo and the transfer of council staff. A copy of the draft Memorandum of Understanding is attached as confidential Appendix 4.
45.	In addition to establishing clear legal and governance parameters for staff employed by the LATCo, the council is also keen for the LATCo to nurture and develop exemplary industrial relations and use this as a foundation – and indeed a competitive advantage – for growing the business of the LATCo.
46.	As such, the Articles of Association provide for the formal establishment of a Staff Engagement Panel to comprise of three (3) employees of the LATCo

	nominated by the trade unions recognised by SCC and who act as local trade union representatives in the company, and 2 employees of the company selected by the (board / statutory) Directors, who are part of the company's management team but who are not themselves (board / statutory) Directors.
47.	The Staff Engagement Panel will meet to advise the (board / statutory) Directors on matters of an operational nature that may impact on the well-being and employment opportunities of the company's staff. They will be entitled to receive and comment on board papers on matters that may affect the well-being and employment opportunities of staff, and to independently raise matters of such nature to the board. Although the Panel acts in an advisory capacity and has no (company) decision making powers, the Board of Directors has a duty to consider advice and representations made by the Panel.
48.	The Articles of Association also provide the formal establishment of a Tenants' Panel. The composition of this, the appointment mechanism of representatives and associated decisions are still being worked through. The Tenants' Panel will meet to advise the (board / statutory) Directors on matters of an operational nature that may impact the Housing Management and Housing Operations services.
	<b>PROPOSED MIGRATION OF SERVICES</b>
49.	Given the size of the services involved, both in terms of staff numbers and budgets, it is not considered prudent that all services migrate together, and in a single transfer, immediately following the formation of the LATCo.
50.	It is proposed that the services transfer in sequence, and in 'bundles' to reflect the three anticipated groupings of the Service Delivery Arms (or business units) of the LATCo.
51.	The first group of services to transfer immediately upon the formation of the LATCo would be Waste Management and Collection, Street Cleansing, Pest Control, Parks & Open Spaces, Fleet Management (collectively 'City Services') and possibly Car Park Operations.
52.	The second group of services to transfer would be Car Park Operations (if not transferred in the first Service Delivery Arm), Transport and Facilities Management. These would transfer in 2018/19.
53.	Housing Management and Housing Operations (the third Service Delivery Arm of the LATCo) would transfer in 2019.
54.	In determining the proposed order and timing of migration of these services, consideration was given to a number of factors including: <ol style="list-style-type: none"> <li>1. Organisation change readiness</li> <li>2. Cost management / turnaround opportunity</li> <li>3. Commercial readiness / market opportunity</li> <li>4. Legal approvals required</li> <li>5. Dependencies with other projects / programmes</li> <li>6. Accommodation / assets</li> <li>7. IT readiness</li> </ol>
55.	City Services are proposed to migrate first for the following reasons: <ol style="list-style-type: none"> <li>1. they have the greatest potential to begin trading in a commercial</li> </ol>

	<p>manner in the shortest timeframe, particularly as some services already operate in this way;</p> <ol style="list-style-type: none"> <li>2. there are fewer dependencies with other Council programmes which might cause instability in terms of service delivery;</li> <li>3. there are limited legal implications for transferring these services which need to be considered and planned;</li> <li>4. there is a perceived customer demand for the commercial services offered and those that could be developed.</li> </ol> <p>Consideration to bring forward Car Park Operations will be based largely on commercial readiness and contribution towards income.</p>
56.	<p>Facilities Management, Transport and possibly Car Park Operations are proposed to migrate next, predominantly because although these services have the potential to trade, some need more time to prepare for this relatively new commercial activity. Furthermore, the current provision of facilities management and transport services in particular is fragmented and more work and planning needs to take place to consolidate these activities before commercial work can be prioritised.</p>
57.	<p>Housing Management and Housing Operations services are proposed to be the final services to migrate to the LATCo, predominantly because:</p> <ol style="list-style-type: none"> <li>1. there are considerably more legal implications which must be addressed prior to any transfer to the LATCo;</li> <li>2. a separate consultation with tenants and leaseholders needs to be undertaken, following which consent is also required from the Secretary of State; and</li> <li>3. the service has been undertaking a number of change initiatives which would benefit from consolidation before transfer; and</li> <li>4. safeguards must be in place to ensure existing tenants and leaseholders experience no reduction in quality of service once the LATCo is operational.</li> </ol>
	<p><b>OUTLINE BUSINESS ASSESSMENTS</b></p>
58.	<p>Since the Cabinet report in August 2017, and following the decision by Cabinet to not procure external partners for the LATCo, new project work stream activity has been undertaken to address considerations of service improvement and business development opportunities that were originally earmarked for discussion as part of the aforementioned procurement process.</p>
59.	<p>This activity involved:</p> <ul style="list-style-type: none"> <li>▪ an analysis of the current organisational and operational 'make up' of the migrating services;</li> <li>▪ a soft benchmarking exercise to evaluate the type, nature and performance of the services to comparable service provision elsewhere;</li> <li>▪ the identification of service improvement initiatives to underpin the development of the services in support of Key Objective 1 (continuous improvement to effectiveness, efficiency and economy of the services) of the LATCo;</li> <li>▪ secondary research on the markets that the services in question operate and/or will compete in; and</li> <li>▪ the identification of business development opportunities to support Key Objective 2 (development of new income streams from external</li> </ul>

	trading) of the LATCo.
60.	A separate financial assessment work stream was also launched to analyse the financial make-up of the services and their product offerings from a profit and loss (rather than council budget management) perspective. This work is still ongoing and is planned to result in a projected 5 year Profit and Loss account, balance sheet, and cash flow statement for the company. These will be presented as part of the financial submission to Council in May/June2018.
61.	<p>The assessment of the services carried out to date has identified a number of strengths that can support the development of 'unique selling propositions' that the LATCo can use to compete in the market. Key among these include:</p> <ul style="list-style-type: none"> <li>▪ Public Sector brand, with associated values such as quality and trust.</li> <li>▪ Local embedded knowledge, skills and experience;</li> <li>▪ Access to a large and local service infrastructure;</li> <li>▪ Experience of managing significant capital assets (e.g. managing the assets of the largest residential landlord in the city, depots etc.);</li> <li>▪ Southampton Pound; purchasing services and products from a wholly-owned council company keeps purchasing power in the region and enables money to be reinvested locally.</li> </ul>
62.	The assessment has also highlighted a number of 'gaps' or areas of performance that are not as high as benchmarks and where on-going improvements are possible. These have been grouped into common themes focusing on operational management activity, financial management and commercialisation, systems (IT and business processes), and service standards/ policies. The original target for efficiency savings and income growth by the LATCo for FY2018/19 was £1m. This was based on a full trading year. The revised target is £450k to reflect a phased migration of services into the LATCo during FY2018/19 and an estimated first TUPE of staff into the LATCo around October 2018.
63.	Good performance in a number of areas, as well as an analysis of relevant markets, would suggest that there are a number of potential commercial development opportunities available to the LATCo. These opportunities are specific to the different individual services and reflect different stages of existing commercial activity and maturity to trade by the services, as well as competitor activity / growth prospects in their respective markets.
64.	The tables overleaf provide a summary view of the current scope of the transferring services, as well as some of the key service improvement initiatives arising from the aforementioned gap analysis, and the key commercial development opportunities identified from the market research activity to focus the LATCo's efficiency and income growth efforts.
65.	A copy of the outline business assessments prepared for the various services is included in Appendix 5 (exempt). It should be noted that as the services will be migrating to the LATCo in a phased approach, the services transferring first have to date been subject to more detailed analysis.

Services & Products	New / Ongoing Service Improvement Initiatives	Commercial Development
<ul style="list-style-type: none"> <li>• Waste Collection - General waste, Recycling, Glass</li> <li>• Waste Collection – traded/chargeable services - Garden, Bulky, Voids, Additional collections, Commercial waste</li> <li>• Waste Improvement</li> </ul>	<p>Policy issues</p> <ul style="list-style-type: none"> <li>• review targets</li> <li>• increase recycling rate to 35% or more, reduce waste,</li> <li>• review policies to take into account of legal provisions, new developments/improvements and Latco savings requirements</li> </ul> <p>Structural</p> <ul style="list-style-type: none"> <li>• Following restructure before transfer to the LATCo, services will be integrated as part of City Services and this will need to embed</li> </ul> <p>Organisational</p> <ul style="list-style-type: none"> <li>• Continue to review and improve round structures/ground maintenance programmes/productivity/garden waste collection frequency, audit and implement inspection, performance and benchmarking frameworks, joining up services</li> <li>• Continue to review and benchmark sickness absence in order to reduce and improve employee wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>• Provide services to other local authorities/develop shared services models as part of income generation activities</li> <li>• Increase services delivered to businesses, both large and SMEs, including universities, NHS, housing associations, private sector organisations. Produce a service offer menu that focuses on USPs across city services and links to others eg FM</li> <li>• Build capacity to grow services.</li> <li>• Increase number of garden waste customers and initially target days/rounds with lower numbers. Build on unique selling point, convenient local service.</li> <li>• Develop improvement advisory services for organisations to help them recycle/reduce their waste</li> </ul>
<ul style="list-style-type: none"> <li>• Parks and open spaces</li> <li>• Trees services</li> <li>• Landscape design</li> <li>• Schools grounds maintenance &amp; advisory services</li> </ul>	<p>Finance &amp; Systems</p> <ul style="list-style-type: none"> <li>• Establish costing model, profit and loss</li> </ul>	<ul style="list-style-type: none"> <li>• An integrated menu of services focusing on landscape design, construction, trees management and maintenance services for large landowners and new developments.</li> </ul>

<ul style="list-style-type: none"> <li>Play development</li> </ul>	<p>accounts, direct debits, debt management, development of business systems/CRM in order to create capacity and improve service delivery</p> <ul style="list-style-type: none"> <li>IT systems need to integrate with others and produce performance reports to quality assure service delivery – this includes CRM/GIS systems</li> </ul>	<ul style="list-style-type: none"> <li>Establishing profit and loss accounts for service and ensuring there is a costing model that enables a 5% trading surplus to be generated and direct debits are in place where relevant for all customers in order to reduce bad debt and improve cash flow</li> </ul>
<p><b>Fleet Transport</b></p>	<ul style="list-style-type: none"> <li>Improve first point of contact with council and further develop online booking and payments</li> </ul>	<ul style="list-style-type: none"> <li>Continue to link improved performance to internal audits and inspections of work and enable the production of performance reports that can be used by teams to drive up service delivery</li> </ul>
<p><b>Cleansing and Pest Control</b></p>		<ul style="list-style-type: none"> <li>To smooth processes, including online and upgrade IT solutions to enable integration of business systems and data for client</li> </ul>
<p><b>Car Parking</b></p> <ul style="list-style-type: none"> <li>Management and maintenance of the SCC car parks &amp; equipment (all on-street parking, 5 multi-story car parks, 54 surface car parks, disabled parking bays and resident parking zones)</li> <li>Maintenance of Pay and display &amp; Pay on foot machines</li> </ul>	<p><i>Operational Improvements</i> Continue to develop and business use of key operational performance metrics, audit and inspection regime, performance and benchmarking</p> <p><i>Finance &amp; Commercialisation</i> Establish costing model, development of current profit and loss accounts, direct debits, debt management.</p> <p><i>Systems</i></p>	<ul style="list-style-type: none"> <li>Utilise more spaces</li> <li>Re-purpose space</li> <li>Corporate deals</li> <li>Follow the market trends <ul style="list-style-type: none"> <li>Development of additional maintenance contracts with organisations who require parking facilities (or similar) to be managed (i.e. utilise the existing skills and equipment of the Parking</li> </ul> </li> </ul>



<ul style="list-style-type: none"> <li>• Maintain all parking lines and signs and car park upkeep</li> <li>• Maintenance of pay and display machines and pay on foot equipment for third parties under contractual agreements</li> </ul>	<p>Use of smart technology, process reviews to increase % of first time fixes.</p>	<p>Operations team).</p>
<p><b>Transport</b></p> <ul style="list-style-type: none"> <li>• Implementation of the Home to School Eligibility Criteria.</li> <li>• Planning and co-ordination of appropriate travel assistance to eligible children and young people</li> <li>• Provision of a courier service for the transport of goods</li> </ul>	<p><i>Operational Improvements</i> Continue to develop and business use of key operational performance metrics, broaden service to cover Adult Social Care transport services</p> <p><i>Finance &amp; Commercialisation</i> Establish costing model, development of current profit and loss accounts, and review framework for procurement.</p> <p><i>Systems</i> Introduce route mapping/optimisation system, review current system and ensure interaction with corporate cross council systems</p> <p><i>Policy</i> Review policy and eligibility criteria</p>	<p><u>TCU (Transport Coordination Unit)</u></p> <ul style="list-style-type: none"> <li>• Bid for management of other LA Home to School functions</li> </ul> <p><u>Courier Service</u></p> <ul style="list-style-type: none"> <li>• Support Sustainable. <b>Distribution Centre models.</b></li> </ul>
<p><b>Facilities Management</b></p> <ul style="list-style-type: none"> <li>• Maintenance and repairs to civic buildings</li> <li>• Cleaning and security of civic buildings</li> </ul>	<p><i>Operational Improvements</i> Development of a total facilities management offer</p> <p><i>Finance &amp; Commercialisation</i> Establish costing model, development of current profit and loss accounts</p>	<ul style="list-style-type: none"> <li>• Sell Total Facilities Management service to Council owner and occupied building, leased buildings, other public body buildings.</li> </ul>

	<p><i>Systems</i> Introduce systems which link to corporate systems such as GIS &amp; CRM, enhancement of customer contact systems via technology platform</p> <p><i>Policy</i> Implement FM service standards, adherence to nationally recognised cleaning standards</p>	
<p><b>Housing Management</b></p> <ul style="list-style-type: none"> <li>• Support tenants to Bid on properties via Homebid</li> <li>• Attend a accompanied viewing</li> <li>• Sign up for the property</li> <li>• Refer any safeguarding issues</li> <li>• Management of tenure</li> <li>• Anti Social Behaviour (ASB)New Forest Mediation (NFM) referrals Action plans</li> <li>• Settling in Visits (SIV)</li> <li>• Management moves</li> <li>• Viewings</li> <li>• Sign ups <ul style="list-style-type: none"> <li>• Ending tenancies (Putting on notices &amp; Receiving keys)</li> <li>• Evictions</li> <li>• Mutual exchanges</li> <li>• Tenancy changes (Joint-sole &amp; Sole-joint)</li> </ul> </li> </ul>	<p><i>Operational and structural Improvements</i></p> <ul style="list-style-type: none"> <li>• Phase 3 restructure</li> <li>• Review the operating model of the Neighbourhood Wardens &amp; Cleaners</li> <li>• Review the outputs required of the Estate Management standards</li> </ul> <p><i>Finance &amp; Commercialisation</i></p> <ul style="list-style-type: none"> <li>• Develop an integrated IT system</li> <li>• Review processes with Capita, develop scripts and agree SLA/KPI's</li> </ul> <p><i>Policy improvement</i></p> <ul style="list-style-type: none"> <li>• Every Visit Counts Initiative</li> <li>• The management of Leaseholders and Right-to-Buy</li> <li>• Improve Tenancy Management by allocating resources to the investigation and prevention of tenant fraud</li> </ul> <p>Complaints Process to be reviewed in light of new performance standards and expected outcomes -</p>	<ul style="list-style-type: none"> <li>• Developing a Social Lettings Agency offer.</li> <li>• Providing a holistic leasehold management service to include managing private lettings.</li> </ul>

<ul style="list-style-type: none"> <li>• Successions</li> <li>• Assignments</li> <li>• Left in occupation</li> <li>• Domestic Abuse &amp; DOVE referrals</li> <li>• Referrals for tenancy support</li> <li>• Hoarding cases</li> <li>• Cleanliness cases</li> <li>• Welfare cases</li> <li>• Child Protection Conferences (CPCs)</li> <li>• MASH referrals</li> </ul> <p>Estate Management</p> <ul style="list-style-type: none"> <li>• Estate Inspections</li> <li>• Environment Improvement Projects (EIPs) - consultations, quotes, orders</li> <li>• Patch plans</li> <li>• Resident involvement (Drop ins and community events)</li> <li>• H&amp;S inspections ( Wardens)</li> <li>• Repair &amp; improvement work (Wardens)</li> <li>• Abandoned vehicles ( Wardens)</li> </ul> <p>Leaseholders</p> <ul style="list-style-type: none"> <li>• Apply for the right to buy (process)Provide leasehold sales packs – assignment of lease</li> <li>• Provide service charge statements</li> </ul>	<p>Corporate policy</p>	
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<ul style="list-style-type: none"> <li>• Block and estate management – management of ASB</li> </ul>		
<p><b>Housing Operations</b></p> <ul style="list-style-type: none"> <li>• Day to day responsive repairs</li> <li>• Estate maintenance</li> <li>• Asbestos testing and removal</li> <li>• Major works</li> <li>• Capital works</li> <li>• Void management</li> <li>• Mechanical and electrical safety including: <ul style="list-style-type: none"> <li>• Gas Servicing</li> <li>• Fixed wiring testing</li> <li>• Emergency lighting inspections</li> <li>• Fire Alarm Testing</li> <li>• Fixed and Portable appliance Testing</li> <li>• Aircraft &amp; Navigation Warning Lighting Testing</li> <li>• Other electrical compliance aspects (Residual Current Devices testing etc.)</li> </ul> </li> </ul>	<p><i>Operational Improvements</i></p> <ul style="list-style-type: none"> <li>• Review end-to-end process and subsequently implement new standards, classifications and void turnaround times</li> <li>• Implement new classification of repairs with timescales</li> <li>• Provide fleet maintenance and reliability against agreed SLA</li> <li>• Improved productivity hampered presently through work scheduling, stores availability and systems reliability</li> <li>• The timely availability of stores and stock at competitive prices through the Travis Perkins Contract.</li> </ul> <p><i>Policy</i></p> <ul style="list-style-type: none"> <li>• Review the Hours of Operation for Repairs &amp; Planned Works to be flexible</li> <li>• Redrafting of schedule of charges for Repairs/works for Tenants</li> <li>• Southampton First procurement strategy should allow Operations access to a fuller order book.</li> <li>• SCC Policies to be reviewed and redrafted to reflect the revised SCC targets e.g. Move In &amp; Move Out Standards.</li> </ul>	<ul style="list-style-type: none"> <li>• Sell holistic property maintenance/repairs service to leaseholder’s schools, public buildings and private customers.</li> <li>• Develop the out of hour’s service to include Leaseholders and private landlords.</li> <li>• Develop the Repair and Emergency Response Services to other local authorities, and for Public and Private Sector Clients</li> </ul>

66.	<p>Subject to Cabinet's approval for the continued implementation of this project, work on the outline business assessments will now be progressed with the intention of developing 5 year business plans for the services. Discussions have been held with Essex County Council to engage the services of their Traded Development service to support this activity and, in the process, help the development of the Council's own commercialisation capability. The Traded Development service at Essex County Council has been operational for several years and its focus has been to support County Council services explore and launch trading opportunities. This is achieved through a mix of business development workshops for potential service candidates, coaching and mentoring support to the services in the development of robust business plans to underpin their market ambitions, and a final 'pitch and challenge' session with senior officers to obtain sign off for launching the proposed trading activity.</p>
67.	<p>The support from Essex County Council will be delivered through a series of interactive sessions over a 12 week period, starting in January, for Service Delivery Arm one, and rolled out later to the remaining Service Delivery Arms. During these sessions, relevant officers will undergo a series of intensive 'masterclasses' designed to provide a mix of 'class room' based instruction on topics such as sales and marketing, business process and people change, and financial management, and a hands on approach to the development of detailed commercial business plans. The output from the outline business assessments carried out to date will form the basis of this activity and the resultant business plans for Service Delivery Arm one will be presented for Council endorsement in May/June 2018 and for Service Delivery Arms two and three for February 2019 if not before.</p>
	<p><b>CONSULTATION</b></p>
68.	<p>Under s.3(2) Local Government Act 1999 the Council is under a duty to consult service users/tax payers and those with "an interest in the services" before deciding to transfer services or make a Best Value Arrangement.</p>
69.	<p>Initial consultation on the proposed establishment of a LATCo, the services in scope for transfer and the potential procurement of external partners was carried out from 15 June to 13 July 2017 and sought views from staff, residents, stakeholders and partner organisations.</p>
70.	<p>The representations arising from the 923 responses received from this consultation process were presented to Cabinet in August 2017 based on which Cabinet:</p> <ol style="list-style-type: none"> <li>1. noted the support for the establishment of a LATCo for the said services and endorsed the continued development of this project; and</li> <li>2. considered the mixed reactions for the need of an external partner to support the LATCo and having fully weighed the issues identified, decided that the project should discontinue the activity for undertaking a procurement process for the appointment of external partners.</li> </ol>
71.	<p>As further work has now been undertaken on the service assessments and the proposed legal form and governance for the LATCo, approval is now being sought for the launch for a second and final Best Value consultation on the more detailed proposals for the LATCo and the transferring services. This consultation will focus on the individual services which are proposed to</p>

	move into the LATCo, the outline business assessments, governance and structure for the LATCo and the proposed phasing of services into the LATCo.
72.	It is proposed that this phase of consultation will run from 17 <sup>th</sup> January 2018 to 3 <sup>rd</sup> April 2018, and cover all of the services in scope for transfer even though the actual migration of these services is proposed to be carried out in phases starting upon the formation of the LATCo.
73.	Deciding on the best process for gathering feedback from staff and residents when conducting a consultation requires an understanding of the audience and the users of the service. It is also important to have more than one way to feed back on the consultation, to enable engagement with the widest range of people. The proposed approach for this consultation is to use a combination of online and paper questionnaires, supported by staff drop-in sessions and briefings. The structured questionnaire will be designed to include an appropriate amount of explanatory and supporting information, helping to ensure that all stakeholders are aware of the background and context. To support this each service area will have a two sided information sheet outlining key details and proposals.
74.	In addition to the main questionnaire, a general response email and postal address will be advertised. This will provide a channel for written feedback for respondents who, for whatever reason, would not wish to use the questionnaire. At the outset of the consultation the council will write to key partners across the city, to make them aware and seek their views. Further information on the proposed consultation is included in Appendix 6.
75.	A draft Equality and Safety Impact Assessment has been produced as part of the consultation documentation to outline any potential impacts the proposals may have. This is a live document which will be updated with information from the consultation.
76.	The consultation will support the final business case for the creation of a LATCo which will be decided on at full Council in May / June 2018. It should be noted that a further and separate consultation process on the proposed housing management and housing operations services with the Council's housing tenants and leaseholders is required under s27/105 Housing Act 1985. As it is proposed that these services will be the last to transfer into the LATCo (probably in early 2019), this specific consultation with tenants and leaseholders is likely to take place over the summer months of 2018 (specific dates will be confirmed in the report to Council in May/June 2018). Notwithstanding this, engagement with tenants and leaseholders has been, and will continue to be, on-going through existing tenant panel meetings, conferences and normal communications media adopted by the Council's housing service, and tenants and leaseholders will also be invited to express their views and opinions as part of the Best Value consultation for which the above approval is being sought.
77.	A formal staff consultation covering TUPE arrangements will also be required in due course, should Full Council approve the creation of a LATCo in May/June 2018. Specific dates and arrangements for this consultation will also be confirmed in the report to Council in May/June 2018.

	<b>COMMUNICATIONS</b>
78.	Communications are vital to support the proposed consultation and the LATCo programme overall, to ensure all stakeholders are aware and informed about the proposals, as well as how they can take part in consultation.
79.	<p>The communications for the first LATCo consultation held between 15<sup>th</sup> June and 13<sup>th</sup> July 2017 included a wide range of targeted internal and external communications. This work resulted in the council exceeding its target of 300 responses, achieving 923 in total, of which 700+ were staff.</p> <p>Communications were segmented by audience and the following tactics were deployed; press releases, web news stories (intranet and website), stay connected e-alerts (internal and external), social media including a live Q&amp;A on Facebook, over 25 internal staff briefings, managers toolkits, a dedicated email address and weekly response system for all questions posed by staff, library drop-in sessions, and direct communications to all strategic partners, commercial partners, business partnerships, community and voluntary groups, and schools.</p>
80.	<p>Communications have been on-going and all directly and indirectly affected staff are attending briefings taking place this month (January 2018), during which they are being provided with the opportunity to hear about project updates and ask questions directly to the Chief Operations Officer. Tenants will also be updated face to face at the Winter Tenants Conference in January. All tenants and leaseholders will receive a letter in January explaining what is happening and that fuller consultation will take place later in the year. Both audiences receive information in advance of these face to face briefings to set the scene. Following this Cabinet meeting, the proposal is to continue promoting the consultation through targeted communications to staff, unions, residents, strategic partners, commercial partners, community groups, press, businesses, members and ward councillors. The same approach will be used as in July 2017, across a range of channels, to ensure a wide range of stakeholders are informed about the proposals and able to take part in the consultation.</p>
	<b>NEXT STEPS</b>
81.	<p>Subject to confirmation at this Cabinet meeting, the Best Value consultation, which is open to everyone including staff, will commence immediately with a planned end date of 3<sup>rd</sup> April 2018. The results of this consultation will be analysed and reported on as part of the final report and recommendations planned for Council in May/June 2018.</p>
82.	<p>Leading up to that Council meeting, the programme will continue to focus on the following activity:</p> <ul style="list-style-type: none"> <li>▪ development of the legal frameworks to underpin the operational working arrangements between the Council and the LATCo;</li> <li>▪ development of detailed business and financial plans for the transferring services;</li> <li>▪ preparation of detailed staffing plans including the eventual TUPE transfer of staff to the LATCo;</li> <li>▪ development of transition and mobilisation plans to support the migration of services;</li> <li>▪ development of a branding and marketing strategy for the LATCo;</li> </ul>

	<ul style="list-style-type: none"> <li>▪ preparation for tenant and leaseholder consultation on the future migration of housing services; and</li> <li>▪ discussions with the Homes and Communities Agency in relation to the Council's intentions to delegate housing functions to the LATCo.</li> </ul>
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
	<p>The setting up of the LATCo will have revenue funding implications, the final details of which will be determined as part of the financial planning activity that is underway and that will be presented in the final report to Council in May/June 2018. In the main these implications will relate to the working capital requirements of the LATCo and the funding of the services that transfer.</p>
	<p>The financial governance and funding arrangements of the LATCo also require further consideration of the tax and borrowing implications on the Council (and the LATCo itself). Support from external financial advisors is being sought to help inform current thinking and the development of the financial plans mentioned above.</p>
	<p>While a number of financial issues need to be explored in much further detail before final proposals are recommended to Council, current discussions and advise suggest that:</p> <ul style="list-style-type: none"> <li>▪ the LATCo's initial source of operating income will comprise of the fees that SCC will pay for the services that it will receive. The fees will be determined following consideration of any service changes or improvements the Council may want the LATCo to deliver but will essentially be covered by the budgets that SCC has set in the MTFs, projected forward to cover the entire duration of the LATCo's initial term of contract with SCC;</li> <li>▪ revenue for Southampton services currently collected by the Services migrating to the LATCo will remain Council revenue and the LATCo will simply act as 'collecting agent' for the Council;</li> <li>▪ over time, the LATCo will be expected to diversify its revenue base by generating additional and independent income from pricing and selling its services to third party organisations;</li> <li>▪ as a 'subsidiary' of the Council, the LATCo is also expected to rely on SCC for the provision of its investment capital – including both initial seed and future growth capital, as well as working capital. Such capital can be provided by SCC to the LATCo by way of a loan or equity and proposals in this regard will also form part of the funding plan recommendations to be presented in May/June 2018;</li> <li>▪ any cost savings or cost overruns leading to surpluses or deficits will be accounted for in the LATCo's accounts.</li> </ul>
<b><u>Property/Other</u></b>	
	<p>Details on the LATCo's requirements for accommodation, operating assets and other associated matters continue to be assessed.</p>
	<p>Initial financial and legal advice would suggest that any tangible assets required by the LATCo for its operations should continue to be acquired and owned by the Council. This needs to be considered alongside the other financial matters being discussed and final proposals will be reported to</p>



	Council in May/June 2018.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
	S.95 Local Government Act 2003, S.111 Local Government Act 1972, S.1 Localism Act 2011, Housing Act 1985, together with ancillary Regulations and guidance applying to service specific functions.
<b><u>Other Legal Implications:</u></b>	
	Detailed EIA and PIA requirements have been undertaken and will continue to be reviewed and refreshed as appropriate throughout the conduct of the project and decision making processes and the range of service in scope for transfer to the LATCo will be assessed in terms of client structures / non delegable duties and retained responsibilities, employment law matters, state aid, tax liability, risk and financial viability in accordance with the Council's Best Value duties prior to determining final arrangements and governance structures.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
	A risk register is maintained for this project and the risks are reviewed by the Strategic Board and acted upon by the project team. The two most significant risks are: 1. Limited resource capacity. This continues to be actively monitored and resource plans are updated to identify mitigating actions including the identification of back-fill resource. 2. Internal resource capability to deliver the required service and commercial changes that the LATCo is expected to drive for the services in scope. A resource strategy to support staff upskilling and the development of commercial acumen, internally or through appointments, is an integral part of the future business plans for the LATCo.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
	The recommendations in this paper support the delivery of the following outcomes within the Southampton City Council Strategy: <ul style="list-style-type: none"> <li>▪ Southampton has strong and sustainable economic growth;</li> <li>▪ Southampton is an attractive modern city, where people are proud to live and work.</li> </ul>

<b>KEY DECISION?</b>	Yes
<b>WARDS/COMMUNITIES AFFECTED:</b>	All
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
<b>1.</b>	Decisions requiring Shareholder consent and Reserved Matters
<b>2.</b>	Articles of Association for the LATCo
<b>3.</b>	Proposed Functional Structure for the LATCo
<b>4.</b>	Draft Memorandum of Understanding on Staffing Arrangements [exempt]

5.	Outline Business Assessments [exempt]
6.	Consultation Plan and Timetable

**Documents In Members' Rooms**

1.	Equality and Safety Impact Assessment

**Equality Impact Assessment**

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes
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**Privacy Impact Assessment**

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
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**Other Background Documents**

Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	
2.	