

SPECIAL OVERVIEW AND SCRUTINY BOARD

A special meeting of the Overview and Scrutiny Board was held on 10 February 2015.

PRESENT: Councillor N J Walker (Chair), Councillors E Dryden, C Hobson, L Junier, R Kerr (substitute for J A Walker), F McIntyre, G Purvis (substitute for J G Cole), P Purvis, P Sharrocks, M Thompson and M B Williams

PRESENT BY INVITATION: Councillor T Harvey, Executive Member for the Environment

ALSO IN ATTENDANCE: Councillors B Hubbard, J Brunton, P Khan, D Loughborough, J McPartland and P. Cox

OFFICERS: P Duffy, T Parkinson, E Pout, T Punton, B Roberts and I Wright

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors J G Cole, T Mawston, P Sanderson and J A Walker.

DECLARATIONS OF INTERESTS

There were no declarations of interest at this point in the meeting.

1 **CALL-IN - FUTURE DELIVERY MODEL FOR ENVIRONMENT PROPERTY AND COMMERCIAL SERVICES**

The Chair outlined the purpose of the meeting and the remit of the Board in terms of the Call-In.

The Scrutiny Support Officer submitted a report which detailed the:-

- decisions taken by the Executive on 20 January 2015;
- Council's Call-In Procedure; and
- reasons for the Call-in as shown on the form submitted to the Council's Monitoring Officer in relation to decisions concerning the future delivery model for Environment, Property and Commercial Services.

Appended were the report considered by the Executive and the Panel Assessment and Guidance Pack that had been circulated to the Appraisal Panel. The report to the Executive contained the four options for an Alternative Delivery Model that had been considered.

The decisions of the Executive were:-

That the appropriate senior officer enter into a formal dialogue with Norse to carry out a due diligence exercise and develop a detailed business case, to assess the viability of creating a JVC (Joint Venture Company) between Middlesbrough Council and Norse Commercial Services Ltd for the future delivery of Environment, Property and Commercial Services; and

That any future changes in the services to be included within the scope of the JVC that might be considered appropriate be authorised by the Executive Member.

The Head of Legal Services confirmed that only one of the five reasons given in the call-in were valid, as reasons i), ii), iv) and v) were not recorded as part of the decision taken by the Executive and would, instead, be part of the Business Case that was being developed, or the implementation of a subsequent Executive Member decision. Reason iii) was a valid reason for Call-In, as it related to the decision taken.

The Chair, therefore, confirmed that only one of the reasons stated for the Call-In could be considered by the Board, namely reason iii): *These proposals are wrong in principle in that this Council has a history of setting up ALMOs and "Not for Profit" organisations such as Erimus/CVL, so if it's so good an idea then why are we carrying it out ourselves? If done at all this should surely become a part of the wider consultation with all 5 Teesside unitary authorities and their workforce representatives.*

The Service Department and Executive Member presented the case for the decisions.

- Norse had experience of operating in a commercial environment and greater capability to do so than the Council.
- The preferred option enabled savings to be made within the time constraints stipulated in the Council's Change Programme.
- In the event of the decisions being approved, all staff would have their terms and conditions protected.
- Choosing a locally based company represented a commercial risk as they would not have a track record in this area.
- The public service ethos would be maintained, whilst enabling a commercial flair, as Norse were experienced in operating outside of a Local Authority environment.

In response to factual questions asked by Councillor Junier, the lead signatory on the Call-In, officers confirmed that a JVC across the Tees Valley had not been considered in view of previous work, which had not shown any great appetite amongst other local authorities in the area to go down this route and there were no tangible financial benefits in such an approach. Financial savings for the JVC would become apparent when the Business Case was developed. The target in the Change Programme was £5.9 million over 3 years. Officers would need to ascertain if the JVC could realise that level of savings. At this stage they were not aware how much Norse would expect to recoup.

Norse would usually provide a detailed schedule of potential savings which they could achieve from a joint venture. However, in this case the Council was asking: Could they deliver the savings it is looking for?

Councillor Junier then highlighted the main reasons for the Call-In:-

- The proposals were, potentially, a multi-million pound gamble with the Council's in-house services that would affect hundreds of jobs and thousands of households.
- He and the other signatories to the Call-In, had an open mind on this matter, but felt that it should only go ahead following in-depth consultation with staff, Trades Unions and the residents of Middlesbrough.
- To rush this through was inherently wrong and would commit the new Council to a work programme it would have had little or no part in designing or considering.
- Option A (maintain status quo) would not be viable but it could be, pending a change in Government.
- Option B (partnership with an established local authority owned JVC) – the Council is supposed to provide effective, regular, open forms of communication and consultation. This could not be achieved if the proposal was carried out in a rush.
- Option C (outsourcing to the commercial sector) – the company would be profit-driven, with half of the profits being sent to Norfolk.
- Option D (consider an in-house bid) was not given serious consideration. There were examples of successful models of operation, via trusts and co-operatives. Middlesbrough had a history of success in co-operative movements, arms-length companies, and pathfinder initiatives. Therefore, Middlesbrough had the skills required - why not discuss with all Tees Valley Authorities instead of going to Norfolk, where Norse were based?
- The process was flawed and the timescales unrealistic.
- There had been insufficient consultation with staff and residents.

Councillor Junier concluded that this issue should have been debated by the full Council and the public could have become more involved as every member of the public received these services.

Members of the Overview and Scrutiny Board posed questions of all parties, the responses from which focussed on the following:-

- a) There had been a range of mechanisms to ascertain the views of other Tees Valley Authorities, including the Joint Waste Management Service Group. None of the Authorities were structured the same and none were at the stage that Middlesbrough was. There had been very little interest in developing shared services. Also, given the timescales within the Council's Change Programme, officers felt that such an approach would not be achievable.
- b) It was confirmed that all of the Members of the Appraisal Panel had scored the JVC option highest.
- c) There had not been formal discussions about the JVC with Norse or Tees Valley Authorities. There had been formal meetings concerning joint waste collection but it became clear this would not be progressed. There was no evidence that this would lead to any tangible additional savings that the Council could not make itself.
- d) Time constraints were governed by the Council's Change Programme. There was an amount of money that must be taken out of the service, regardless of the delivery model. The Council had indicated to Norse that it had to achieve a level of savings. The Change Programme assumed £5.9 million of savings. This figure was built into the Council's Medium Term Financial Plan.
- e) Commercial flair could be achieved because the JVC would be based on future growth and Norse had expertise in bidding for contracts and capacity that the Council did not possess.
- f) Clarification was provided as to due diligence. This would be following the high level Business Case, which would be produced by March 2015. A detailed Business Case and recommendations to the Executive would then be produced.
- g) Consultation would involve staff briefings, roadshows, presentations in libraries, etc., but it was too early, at this stage, for detailed consultation. It was confirmed that the options had been considered by the Environment Scrutiny Panel; that the Options Specifications had been sent to all Members of the Overview and Scrutiny Board, inviting comments and alternative delivery models for these services had been included at two Member briefings on the Change Programme.
- h) It could be upto 12 months from now before a contract could be signed. The outline Business Case would indicate whether both parties felt that the joint venture was a viable option and the detailed Business Case would further examine jobs growth and profit.
- i) It was confirmed that the Executive decisions enabled the viability for future service delivery, via a JVC, to be assessed and that the detail would come out through the Business Case. The recommendation was to approve progression to the due diligence stage. This would provide officers with confidence as to whether or not the service could be delivered through the JVC, prior to decisions by Members.
- j) It was considered that the company could bring in additional income and avoid job losses. It was felt that in-house staff were not as well equipped to achieve this. This was no reflection on them – rather that the company would be able to develop the business more. The company would have the benefit of a bidding team. The Council did not have that luxury and, even if it had, would have no track record in this area.
- k) Confirmation was given that this was not a way of privatising services. The service

would be wholly owned by the public sector.

The Chair stated that this matter had been considered at Change Programme Briefings and by the Environment Scrutiny Panel and the Overview and Scrutiny Board. She did not see this as privatisation and thanked the Chair of the Scrutiny Panel for his work and that of the Panel. She felt that full consideration had been given to the issue.

A Member commented that he was pleased this discussion had occurred, so that the Executive and officers would note the concerns raised.

A Member asked if the Board could ask for a detailed report to be made to it before final decisions were made. The Chair confirmed this was the case.

The Chair of the Environment Scrutiny Panel confirmed that it was already planned that the Panel would be receiving further reports on progress.

Following closing submissions, the Board discussed the evidence received and voted on its decision.

ORDERED:

- a) That the decisions taken by the Executive on 20 January 2015, in relation to the Alternative Delivery Model for Environment, Property and Commercial Services, be endorsed.
- b) That the decisions be not referred back to the Executive.
- c) That regular updates on progress of the JVC be provided to the Overview and Scrutiny Board.

2 **REVENUE BUDGET – 2015/16**

The Chair advised that this Item was being withdrawn as the earliest it would have been available to be sent to Members was yesterday, which she felt was too short notice.

The Chair sought Members views on whether they wished to consider this at a special meeting, or at the next scheduled meeting on 3 March 2015.

ORDERED that the Revenue Budget 2015/2016 be considered at the next meeting of the Overview and Scrutiny Board on 3 March 2015.

3. **URGENT ITEM – HOUSING DEMAND IN THE RENTED SECTOR**

The Chair referred to the special meeting of the Overview and Scrutiny Board on 9 January 2015 at which Brian Dinsdale, Chair of the Erimus Board, had raised the issue of housing demand in the rented sector. Erimus had confirmed that they could be represented at the meeting of the Board on 31 March, as had another provider. The Chair sought confirmation that the Board was agreeable to this matter being considered on 31 March. Alternatively, a special meeting could be arranged.

ORDERED that the issue of housing demand in the rented sector be considered at the meeting of the Overview and Scrutiny Board on 31 March 2015.