



AGENDA FOR THE POLICY AND PERFORMANCE SCRUTINY COMMITTEE

Members of the Policy and Performance Scrutiny Committee are summoned to the meeting which will be held in on, **6 January 2015 at 7.30 pm.**

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Despatched : 19 December 2014

Membership

Councillors:

Councillor Troy Gallagher (Chair)	Councillor Una O'Halloran
Councillor Asima Shaikh (Vice-Chair)	Councillor Olly Parker
Councillor Gary Doolan	Councillor Caroline Russell
Councillor Michael O'Sullivan	Councillor James Court
Councillor Martin Klute	Councillor Satnam Gill
Councillor Kaya Comer-Schwartz	Councillor Jenny Kay
Councillor Osh Gantly	

Substitutes:

Councillor Alice Perry	Councillor Jilani Chowdhury
Councillor Alex Diner	Councillor Richard Greening
Councillor Gary Heather	Councillor Robert Khan
Councillor Raphael Andrews	Councillor Nick Wayne
Councillor Paul Smith	Councillor Flora Williamson
Councillor Clare Jeapes	Councillor Mouna Hamitouche MBE

Quorum: 4 Councillors

A.	FORMAL MATTERS	Page
1.	Apologies for Absence	
2.	Declaration of Substitute Members	
3.	Declarations of Interest	

Declarations of interest

If you have a **Disclosable Pecuniary Interest*** in an item of business:

- if it is not yet on the council's register, you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent;
- you may **choose** to declare a Disclosable Pecuniary Interest that is already in the register in the interests of openness and transparency.

In both the above cases, you **must** leave the room without participating in discussion of the item.

If you have a **personal** interest in an item of business **and** you intend to speak or vote on the item you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent but you **may** participate in the discussion and vote on the item.

***(a) Employment, etc** - Any employment, office, trade, profession or vocation carried on for profit or gain.

(b) Sponsorship - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.

(c) Contracts - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.

(d) Land - Any beneficial interest in land which is within the council's area.

(e) Licences- Any licence to occupy land in the council's area for a month or longer.

(f) Corporate tenancies - Any tenancy between the council and a body in which you or your partner have a beneficial interest.

(g) Securities - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to all members present at the meeting.

4.	To approve minutes of previous meeting	
5.	Matters Arising from the minutes	
6.	Chair's Report	
B.	ITEMS FOR CALL IN - IF ANY	Page
C.	SCRUTINY AND MONITORING REPORTS	Page
7.	Income Generation Draft recommendations/witness evidence	1 - 12

D.	DISCUSSION ITEMS - IF ANY	Page
8.	PUBLIC QUESTIONS	
E.	REPORT OF REVIEW CHAIRS - if any	Page
F.	URGENT NON EXEMPT MATTERS	
	<u>Any non-exempt items which the chair agrees should be considered urgently by reason of special circumstances. The reason for urgency will be agreed by the Chair and recorded in the minutes.</u>	
G.	EXCLUSION OF PUBLIC AND PRESS	
	<u>To consider whether, in view of the nature of the business in the remaining items on the agenda any of them are likely to involve the disclosure of exempt or confidential information within the terms of the access to information procedure rules in the constitution and if so, whether to exclude the press and public during discussion thereof.</u>	
H.	CONFIDENTIAL ITEMS FOR CALL IN - IF ANY	Page
I.	EXEMPT ITEMS	
	<u>The Public may be excluded from meetings whenever it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that exempt information would be disclosed.</u>	
J.	OTHER BUSINESS	Page

The next meeting of the Policy and Performance Scrutiny Committee will be on 22 January 2015 **Please note all committee agendas, reports and minutes are available on the council's website:**

www.democracy.islington.gov.uk

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Vanguard and systems thinking

Vanguard is a consultancy specialising in Systems Thinking. Systems Thinking is a business improvement methodology that looks at the whole system to deliver efficiencies, understand problems and promote continual improved performance and has a strong track record in supporting the better delivery of public sector services.

The methodology requires understanding the demand for a given service and what processes promote 'value' to the customer. In the case of customer services, Systems Thinking seeks to understand what the nature of customer demand is, and to remove any practise which does not directly contribute to this demand.

Alongside this, Systems Thinking considers customer demands which are unwanted. Complaints, for example, are what Systems Thinking refer to as 'failure demand' – unwanted demands which cost organisations money and do not add value to the customer. Therefore, a Systems Thinking approach argues that instead of allocating more resources to customer failure demand, you instead seek to understand the root cause of the complaint.

In a review of a recent council service, additional demand was found to be generated by council officers repeatedly asking service users for additional information, in order to complete a transaction. Additional demand was therefore being created by not capturing all this information at the first point of contact. A Systems Thinking solution was to enable the capture of all relevant information clean from the service user during initial correspondence – enabling the council officer to complete the transaction first time. Service users are now dealt with more efficiently, creating less demand on council resources and an improved customer experience.

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Briefing Note - Staff Mutuals

Background

- 1 The government promised to give public sector employees a new right to form employee owned cooperatives and bid to take over the services they deliver. The Community Right to Challenge is the mechanism for implementing this for local authority employees if the council is intending to fund the relevant services under a service contract. Alternatively the mutual may seek a business transfer which would entail the sale of a business by the council to the mutual. This briefing note gives an overview of some of the main legal issues relating to staff mutuals.
- 2 A mutual is a business partially or wholly owned by and run for the benefit of its members, whether these are employees, consumers or members of the community (or a combination). It will usually have a highly democratic structure.
- 3 The mutual may take one of a number of forms, for example, a company limited by shares, a company limited by guarantee, a limited liability partnership, a community interest company, a charity or an industrial and provident society. What form is most appropriate will depend on the objectives of the enterprise e.g. a limited liability partnership is tax efficient and flexible if profit is the objective but if the objective is to benefit the community, a Community Interest Company or an Industrial and Provident Society (now known as 'registered societies') may be more appropriate.
- 4 The table in the appendix summarises some of the implications of the different available legal forms. The particular legal form of the mutual will affect its tax and VAT position. There may also be a trust established to hold shares on behalf of the employee group.
- 5 There are a number of reasons why a proposal for a mutual might be made by employees or the council. These include:
 - the council is withdrawing from delivery entirely and stopping funding for the service and transferring the undertaking to an external body may enable the service to the local community to continue;
 - the service can be delivered more cost effectively externally (e.g. different sources of funding can be identified);
 - it enables outsourcing to a tried and tested group of people with the ethos the council wants for the service;
 - it enables existing staff to potentially maintain their employment by independently developing the service even if the council is reducing funding for the service ;
 - impact on staff morale and commitment may improve service through, for example, lower sickness and increased productivity;
 - increased flexibility in staff terms and conditions – although normally staff will transfer under existing terms under TUPE. Introduction of performance and profit related bonuses for example may be possible.

- Frees the service up from some local authority bureaucracy

6 There are two broad ways in which an existing council service or “business” might be transferred to a staff mutual.

- (i) A staff mutual may acquire the assets of the “business” by way of a business transfer to an organisation they have established and funded. For example, the employees may set up a company and subscribe to shares in it in order to provide the company with the necessary capital to effect the purchase. The transfer could be of buildings or equipment or could be of existing council contracts. In this case as the transaction is the sale of a business.
- (ii) Alternatively, the arrangement may be in the nature of an outsourcing with the service no longer being delivered in house but being delivered for the council under contract.

In either case, a detailed business case and options appraisal should be considered.

7 Key issues

- The Employees

The employees are crucial to the success of the venture which depends on their motivation, skills and energy to make it a success. Early and careful consultation with the employees is vital. Engagement with staff at an early stage and throughout the process is therefore essential.

Employees will TUPE transfer in the event of a transfer of the business or if the council has service delivery contracts to which they are assigned which are moving over to the new organisation or if the council procures delivery of the service from the new organisation.

The staff mutual body will normally be eligible to be admitted to the LGPS in the event of a service delivery contract but will not necessarily be eligible in the case of a business transfer. In this case it will depend on whether the new body can be admitted as a Community Admission Body.

- Contracts and procurement

If a service is transferred to the staff mutual as a sale with the council not commissioning any service from the new organisation, then the procurement rules will not apply.

However, the procurement rules will apply to any contract for services that the council intends to award. The impact of the rules will depend upon the nature of the service. The mutual will have to compete with much larger, more experienced, service providers to win the work or enter into a partnership with such an organisation or perhaps with other mutual or smaller organisations.

This can be a significant obstacle as a newly formed mutual is unlikely to meet the standards required of an organisation with which the council could reasonably contract or which might succeed in a competitive tender.

New procurement regulations are due to come into effect in 2015 and are currently being consulted on. It is anticipated that under the new regulations it will be possible to restrict participation in a procurement to organisations meeting the following criteria:

- The objective of the organisation must be pursuit of a public service mission.
- Profits must be reinvested to achieve the organisation's objective.
- The management and ownership structures should be based on employee ownership or must require the active participation of employees, users or stakeholders.
- The organisation has not been awarded a contract for the same services by that authority within the past three years.

This will not enable the direct award of a contract to a particular organisation.

- Conflicts of interest

The interests of the mutual and of the council will conflict during the process of setting up the mutual and during the sale or contracting process. Legal, HR and financial advice for example will be needed by both the council and the staff setting up the mutual. Therefore, an effective system for dealing with such conflicts is required to ensure that both parties receive the right support and advice. "Chinese walls" may be sufficient at the outset but at some stage the new body will need its own legal advice.

- Funding

As with the setting-up of any new business, the mutual will need finance to cover initial set-up costs, such as relocation, equipment and insurance costs; working capital, to allow the business to operate on a day-to-day basis (i.e. salaries and marketing costs); and development capital to facilitate growth, for example, the purchase of assets.

Grants, government finance (such as the Social Enterprise Investment Fund) or borrowing, together with income from any contracts will be the source of this. A new organisation may not be able to raise the necessary funding to operate if without some start up funding from the council. Support from the council itself financially or in kind would need to comply with the state aid rules.

Appendix

	Profit distributing	Limited Liability	Charitable status	1 or 2 tier management	Governing Document	Regulator	LGPS Employer	LGPS Transferee Admission Body	LGPS Community Admission Body
Company Ltd by Shares	√	√	x	2	Constitution	Companies House	√	√	√*
Company Ltd by Guarantee	x	√	√	2	Constitution	Companies House (Charity Commission)	√	√	√
Community Interest Company	√	√	√*	2	Constitution	CIC Regulator /Companies House	√	√	√*
Industrial and Provident Society	x	√	√	2	Rules	FSA	√	√	√
Limited Liability partnership	√	√	x	1	None specific	Companies House	X	√	√*
Charitable Incorporated Organisation	x	√	√	2	Model Constitution	Charity Commission	x	√	√

*In some circumstances

Briefing note for Scrutiny panel – 6 January 2015

Council Tax and Student Exemption/Discounts

The purpose of this report is to update members on the current process for maximising income and minimising fraud in the collection of Council tax in respect of students.

The annual value of Class M and N exemptions are £3.2m and £2.9m respectively.

Background

Under the Council Tax rules students are exempt if they live alone or with other students during the period of their course of study at a recognised educational establishment. A recognised establishment is one that is endorsed by the Department for Education with Central Government.

There are 2 ways of dealing with the collection in respect of students:

- **Class M** – deals with students residing within a Hall of Residence also known as Student Accommodation
- **Class N** – deals with individual students.

Class M

With this class we do not require individual certificates from the students.

This exemption is granted to a property that is affiliated to a place of study such as a university and the tenancies state that the occupier is a student.

Class N

Individual students are required to provide a student certificate from the educational establishment for the duration of their course of study.

Service Objectives to maximise collection and reduce fraud

- Annual reviews are carried out on all student relief to check the validity of each case
- Where the annual declaration is not returned or if we become aware of a change of circumstance the exemption is removed
- We rigidly check against the central register held by Department of Education to ensure all students are affiliated to a qualifying educational establishment
- They must also demonstrate that they are attending what is considered under the Council Tax and Administration Regulation 1992 to be a qualifying course (i.e. full-time education equivalent to 21 hours and 24 weeks) by providing supporting evidence included within their student certificate
- We have developed a robust partnership with the main universities serving our student residence to maintain the integrity of our database. This is underpinned by regular meetings to discuss and enhance the process. This is achieved by obtaining a continuous listing of all existing students from the university.
- We have also developed a strong partnership with landlords of student accommodation to ensure we only apply any form of student relief where we are satisfied that there is a genuine entitlement. We carry out a matching exercise with the universities to ratify the claim.
- As part of our procedure to guard against fraudulent claims we work alongside a leading information bureau to supplement our intelligence to audit our caseload. This enables us to carry out a risk assessment against each claim for a student, and where we identify a high risk we would liaise with the relevant university to reconfirm the status and if appropriate remove the relief.

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Scrutiny;

Commercialism and Income Maximisation

Initial draft Recommendations

1. Current Income Generation Proposals

1.1. The Committee supports the following projects identified by the newly established Commercial Board:

- Advertising (advertising boards, fleet vehicles and green space locations)
- Commercial rent (refurbished property in Old Street)
- Wireless Radio Network
- Commercial Waste Service
- Film
- Energy Consultancy
- Planning - Duty planning service

1.2 The Committee noted that there are many dimensions to the generation of income and that the example of increasing advertising income whether this be on street or using our green spaces or encouraging more commercial activity in the Borough brought with it dilemmas for the Council. It is therefore recommended that some guiding principles be adopted to allow the Council to maximise income in these areas but not at the expense of general amenity.

1.3 The Director of Finance and Property Services will prepare detailed costings for the savings proposals for consideration of the Budget 2014/15 by the Executive

2. Future Income Generation opportunities

2.1. The Committee considered a number of potential areas where further income growth may be possible. The committee suggests that the Executive consider a risk based approach to considering these options based on the challenges in terms of delivery weighed up against the

potential income opportunity. This should be considered through the Commercial Board and/or iCO (Islington Company Ltd) if this is the optimal route.

2.2. The committee identified a number of thematic areas for further investigation – these include:

- **Photo Voltaic(PV) Solar Panels – on council owned property**
- **Selling of a range of existing services e.g. Caretaking, grounds maintenance, building maintenance services to schools, pest control and telecare. (This is not an exhaustive list and we would ask that officers undertake wide ranging review of all opportunities)**
- **Working for other Councils**
- **Encouraging commercial events in the Borough e.g. Markets, Ice rinks etc.**
- **Wider use of sponsorship and advertising**
- **Sharing of services with other boroughs/organisations**
- **Alternative models e.g. the consideration of Co-operatives or Mutuals**
- **Extension of heat and power schemes and consideration of additional heat and power schemes throughout the borough**

2.3 The Committee believe that there is an immediate opportunity to consider the installation of PV Panels on Council owned buildings. The present Feed in Tariff rates, the reduced cost of installation and overall market conditions suggest that this idea should be looked at as a matter of urgency. We are particularly grateful to the Task and Finish Group Chaired by Cllr O'Sullivan who led the work on considering this matter and raised it with colleagues.

2.4 We ask that the Executive consider the other issues raised above and consider a plan to implement those ideas that offer the best return.

3. Becoming more commercial

3.1. The Committee was pleased to hear of the formation of the Commercial Board and progress made so far on commercialism and income maximisation. The Committee believes that the following, set out below, will enhance the progress made to date

- Invest in staff training to develop commercial awareness and skills within the organisation.
- Complete a skills/expertise audit across the council to determine what others services could compete in the market place.
- Develop a means of incentivising staff to generate commercial ideas for the council, for example, through a competition.
- Develop clear policy and guidelines for the use of parks and public spaces for events, such as ice rinks and farmers/Christmas markets.
- Develop a financial accounting process that reports profit and loss for services participating in commercial activity.
- Develop a performance framework, governed by the Commercial Board to measure progress of the council becoming more commercial.
- Utilise the trading company – recognise what other services could be placed in the trading company to enable greater flexibility for services to generate profit.

4. Considerations

4.1. The Committee request the Executive to endorse that -

- Commercial activity should not come at expense of local businesses or the London Living Wage.

- A progress report is submitted to the Policy and Performance Scrutiny Committee for the consideration of the Committee in twelve months.

Draft (not council policy)

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