

## **Minutes of Companies Scrutiny Panel for Shareholder Meeting Thursday 2 August 2018**

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## **Minutes of a meeting of the COMPANIES SCRUTINY PANEL on Thursday 26 July 2018**

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### **Committee members:**

Councillor Fry (Chair)

Councillor Henwood

Councillor Simmons

Councillor Corais

Councillor Munkonge

### **Also Present:**

#### **Oxford City Council**

Councillor Nigel Chapman, Member of the Shareholder Group with executive portfolio responsibility for Customer Focused Services

Anita Bradley, Monitoring Officer

Stefan Robinson, Scrutiny Officer

Nigel Kennedy, Head of Finance

#### **Oxford Direct Services**

Simon Howick, Managing Director

Tim Sadler, Chair of the Board

Lindsay Cane, Company Secretary

Lyn Barker, Finance Business Partner

### **28. Apologies**

There were no apologies for absence.

### **29. Declarations of Interest**

There were no declarations of interest.

### **30. Minutes of the previous meetings**

The minutes of the meetings held on 14 March 2018 and 7 June 2018 were confirmed as a correct record, subject to a minor typographical correction in the 14 March Minutes.

### **31. Appointment of Finance Director to the Boards of ODSL and ODSTL**

Tim Sadler, Chair of Oxford Direct Services (ODS), explained that a rigorous selection process had been undertaken for the position of Finance Director, and high numbers of applications were received. Aled Bath, who had a commercial background and local government experience, had been appointed to the position on a full time basis. The

Boards of the Companies had resolved to recommend to the Shareholder on 2 August that he be appointed to the Company Boards.

The Panel noted the proposal to the Shareholder Group concerning Mr Bath's appointment and was informed that the selection of an external non-executive director would follow later.

### **32. Appointment of Mazars as External Auditor to Oxford Direct Services**

The Chairman of ODS explained that a robust selection process had taken place to select Mazars as the external auditors to ODS, and the Shareholder Group would be invited to confirm the appointment on 2 August 2018.

The Panel noted the proposal to the Shareholder Group concerning Mazars' appointment.

### **33. Reports Containing Confidential or Exempt Information**

The Chair highlighted that the presentation and report from Oxford Direct Services was commercially sensitive and an exempt paper. The Panel therefore moved into private session under the terms of Paragraph 3, Part 1 of Schedule 12A of the Local Government Act 1972. However, a public summary of the discussion is set out below.

### **34. Presentation to the Board by Simon Howick and Aled Bath**

The Panel considered a presentation from the Managing Director of ODS which reflected the information contained within the update report.

### **35. Oxford Direct Services Update Report**

The Managing Director of ODS explained that this was the first quarterly update of ODS' activities to the Shareholder Group since going live as a company in April 2018. The new company arrangement would enable the Council to carry on delivering high quality services, whilst securing a financial return through commercial growth and income generation. The headline objectives for year 1 were as follows:

- Delivering the Medium Term Financial Plan
- Driving efficiency
- Maximising the work ODS could do for the Council
- Developing an organisation which could support ODS's ambition

There were also plans to widen the specialist skills base within the workforce, including recruiting senior staff with business development, IT and digital skills.

The ambition by 2021/22 was to be returning £500,000 annually to the Council as a minimum. ODS held the skills and ambition to deliver on medium sized construction,

highways and engineering projects, and growth in these areas was a key part of the business plan moving forwards.

The Managing Director explained that there were a number of achievements in quarter one, including:

- The TUPE transfer of 712 employees from the Council to ODS, whilst maintaining good trade union relations
- Retaining all customers through the transition
- Finance, billing and payroll systems were in place and operational
- No interruption in the delivery of services
- ODS was on target to deliver £1.4m net profit back to the Council by the end of year 1
- Of the 38 internal Key Performance Indicators (KPIs), 35 were on target, with the remaining 3 being marginally missed
- A values framework had been developed based on staff feedback, which broadly aligned with the values of the Council.

It was emphasised that health and safety matters were a key risk to the business and the Council's reputation, as well as staff wellbeing. Accordingly, a stronger culture of health and safety was being fostered within the organisation, which was being led by senior managers and on-site team leaders. Accident rates remained low compared to previous years. The Panel members stated that they were impressed with the work being done in relation to health and safety.

Previously, the Shareholder Group had requested to review eight KPIs as part of the quarterly reporting process. The quarter one results were available for six of the eight KPIs and showed positive results, and there had also been instances of positive feedback from members of the public. The eight KPIs were:

- Tenant satisfaction
- Housing repair costs
- Void housing turnaround time
- Street cleanliness
- Recycling rates
- Parks satisfaction
- Car parking income
- Highway defect repairs

Members of the Panel challenged some of the projected income data presented. Lyn Barker, Finance Business Partner to ODS, clarified that the figures did not account for a £500,000 payment back to the Council for start-up costs and other sundry costs borne by the Council. Also, the quarterly data did not take account of seasonal variation in income expected over the remaining three quarter reporting periods. The Finance Business Partner to ODS said she was confident in meeting the annual income target. The Panel suggested that a footnote in each quarterly report to explain seasonality and forecasts would be useful.

The Managing Director explained that key strategies for review included packaged services, motor transport and parks and grounds maintenance. There was also a depot review planned to ensure ODS was maximising its efficiency and use of its assets. It was the intention to ask the Shareholder Group to be ambassadors for ODS within the organisation and support joint working wherever possible.

The Chair asked for an example of what ODS had done that could not have been done under the previous arrangement where services were delivered directly by the Council. The Chair of ODS explained that due to the higher risk nature of ODS work than other council services, the re-prioritised health and safety culture was more easily achievable in a standalone company, with the ability to concentrate on one business area, where it was a top priority for the organisation.

In response to questions, it was explained that the Council leased assets to ODS to reduce the need for significant capital expenditure by ODS, and vehicle leases would be renewed and vehicles replaced when necessary.

Noting that this was the first quarterly report, the Panel requested that they and the Shareholder Group receive more detailed financial data in subsequent quarterly reports. Specific requests included:

- More information to show the different revenue and income streams from various ODS activities, such as commercial waste and major projects.
- Longer term financial projections, including key contracts and projects in the pipeline.
- Information on any capital projects and receipts
- Workforce turnover
- The ODS risk register

It was noted that once Mr Bath was in post, more of this forward looking reporting could be actioned. In response to questions, the Managing Director explained that current ODS staff have the same employment terms and conditions and pension benefits as they did before they were transferred from the Council. ODS could consider different terms and conditions for new employees in the future, but no decisions had been made on this. Members suggested that the package of staff benefits for new vacancies should be promoted during recruitment, given that basic salaries are difficult to match with the private sector.

The Panel challenged the usefulness and credibility of the KPI relating to street cleanliness, such as levels of graffiti, suggesting that the measure was overly positive, when some streets were in a poor condition. The Panel also suggested that it would be useful to see data on commercial waste recycling rates, and the difference between secured contractual income, and more ad hoc income arrangements. Other issues briefly discussed by the panel included:

- The relationship between Oxford City Housing Limited and ODS, and how losses in either company could be offset by the other because the companies are grouped with the Council.
- After ODS has experienced 1 year of trading, consideration should be given to succession planning both within ODS and the Shareholder Group. A knowledge bank and training opportunities should be considered.

Councillor Nigel Chapman, City Executive Board Member for Customer Focussed Services and member of the Shareholder Group, said the Panel's input was valuable in supporting the Shareholder and providing oversight of ODS. He stressed that issues raised by the Panel concerning the future pipeline of work and KPIs were particularly important.

### **Resolved:**

- 1) It was agreed that members of the Panel would be invited to attend a meeting with ODS colleagues in Marsh Road to understand more about their work in relation to recycling, with a subsequent visit to a recycling centre.
- 2) The Panel agreed to recommend to the Shareholder Group that:
  - a) Councillor Community Infrastructure Levy projects, where appropriate, should use ODS as the preferred contractor to carry out the work. This should not however affect the Council's duty to secure best value from its contracts.
  - b) The Shareholder Group receives a more comprehensive scorecard of financial indicators as part of subsequent quarterly reports. This should include longer term projections for revenue and capital expenditure, including service level breakdowns with overhead costs, and progress updates on major contracts and projects.

## **36. Future meeting dates**

The future meeting dates were noted as follows:

11 September 2018  
 25 October 2018  
 12 December 2018  
 3 January 2019

It was noted that dates were challenging to secure, and dates may need revising in line with reporting cycles or member availability,

**The meeting started at 6:00pm and ended at 7:57pm**

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