

Name of meeting: Cabinet  
 Date: 16<sup>th</sup> September 2016

Title of report: Future direction of Looking Local

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes  The Looking Local service has an impact on the MTFP of £300k per annum
Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a>	Key Decision – Yes Private Report/Private Appendix – Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Director</u> & name	David Smith - 15 <sup>th</sup> August 2016
Is it also signed off by the Director of Resources?	Yes
Is it also signed off by the Assistant Director (Legal Governance and Monitoring)?	Julie Muscroft - 26 <sup>th</sup> August 2016
Cabinet member <a href="#">portfolio</a>	Cllr. Graham Turner - Asset Strategy, Resources & Creative Kirklees (Arts)

Electoral wards affected: All

Ward councillors consulted: None

**Public** There is also a private appendix as set out in paragraph 1.2

## 1. Purpose of report

- 1.1. To share options and make a recommendation relating to the future direction of Looking Local in the context of the Mid-Term Financial plan. Given the confidential and commercial nature of these options and their implications the fuller report will be considered as a private appendix.
- 1.2. The private appendix is recommended for consideration in private in accordance with schedule 12A of the Local Government Act 1972 namely it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that disclosure of the information could adversely affect overall value for money and compromise the commercial confidentiality of the incumbent suppliers and therefore the public interest in maintaining the exemption, which would

protect the rights of an individual or the council, outweighs the public interest in disclosing the information and providing greater openness in Council decision making.

- 1.3. Should Cabinet agree the recommendations of the report then delegated authority is requested to allow the Assistant Director, Customer & Exchequer Service and Assistant Director, Legal and Governance to:
  - 1.3.1. Hold detailed discussions with the incumbent suppliers and their advisors in order to:
  - 1.3.2. Transfer Intellectual Property Rights (IP) and other assets in return for a shareholding in a new company established to run Looking Local
  - 1.3.3. Novate and/ or assign current contracts in accordance with existing terms and conditions in order to achieve the new arrangements
  - 1.3.4. Enter in to all relevant contractual agreements with the new entity in order to protect the Council interests in the Company and the benefit of the intellectual IP rights
  - 1.3.5. Agree the governance and performance monitoring arrangements including but not limited to a shareholders agreement which sets out relevant governance arrangements to ensure the Councils shareholding in the new company is adequately protected.
- 1.4. Members should note that it is likely that the Council may have a Director represented upon the board of any new company and therefore will require a member and/or officer to be nominated to fulfil this role as arrangements are finalised. A further report or further steps will be taken to do this as required.

## **2. Summary**

- 2.1. Looking Local is a traded service of the Council, predominantly delivered via external contracts, and has been in operation since 2005. Looking Local sells software (for example LetsHelpYou, BetterOff, mobile apps and access to digital interactive TV platforms) and professional services (e.g. consultancy, business analysis, content services and training).
- 2.2. Looking Local operates within the public sector and has customers from local authority, housing and health organisations – over 100 in total.
- 2.3. For the last 10 years Looking Local has consistently delivered a financial surplus to the Council and in addition has secured considerable investment from grants, EU and other funding sources that have either directly or indirectly benefitted Kirklees.
- 2.4. Looking Local is feeling the squeeze from the financial pressures on the public sector and consequently the core revenue has shrunk quite considerably over the last 2 years. The financial surplus fell short at the end of 2015/16 and this is predicted to worsen in 2016/17, hence the need to consider options for the future.

## **3. Information required to take a decision**

- 3.1. Looking Local has operated successfully and delivered a financial return over the last 10+ years. Over this time Looking Local and therefore the Council has built an excellent reputation in the field of digital innovation and has won numerous awards for the innovative products/technologies it has developed. It has built a customer base of over 100 public sector organisations.

- 3.2. The Council is a heavy user of the technologies and products of Looking Local for its own business purposes.
- 3.3. Determining the future for Looking Local has an impact on the MTFP. The current expectations for Looking Local are unachievable given the current reduction in core revenue. Current estimates are showing a further fall in surplus by the end of 2016/17 financial year.
- 3.4. In order to ascertain the best future for Looking Local, council officers have explored a number of options that could be considered.
- 3.5. Details of the Options for Looking Local are considered in detail in the private appendix which looks at various commercial and financial issues for the Council.

#### **4. Implications for the Council**

- 4.1. There are no Human Resource or TUPE implications for the Council from any of the options.
- 4.2. Financial Implications will vary depending upon the Cabinet decision. It is considered that the recommended option on balance would be most likely to minimise any losses/potential liability for the Council and provide an opportunity for financial gain.
- 4.3. The impact on services used by the council would be varied depending on the option selected. The benefit of continuing to be able to use the services is best maintained with the recommended option
- 4.4. There are variable legal implications associated with the different options as outlined in the private appendix.

#### **5. Consultees and their opinions**

- 5.1. Head of Audit and Risk and Assistant Director - Customer and Exchequer Services, have been involved in reviewing the options and taking part in ongoing discussions. They have both been involved in a review of the proposals put forward. Furthermore they understand the implications for the Council and consider that the proposed option to continue with Looking Local far outweigh ceasing the activity. They agree with the officer recommendations and the rationale.
- 5.2. Legal Services have been engaged to advise on the implications of the options on existing contracts as well as the legal implications of the options considered and the powers available to the Council to implement the options.
- 5.3. Assistant Director for Legal and Governance and Director of Resources have considered the options and are satisfied that the recommended option is likely to offer best value for the Council moving forwards for the reasons outlined in the private appendix.

#### **6. Next steps**

- 6.1. Assuming Cabinet agree with the recommendations, more detailed discussion will need to be undertaken with the various parties and their advisors.

- 6.2. Existing contracts would continue as is until such matters are concluded
- 6.3. An adjustment to the Council's budget would need to be made to take account of the new arrangements.

## **7. Officer recommendations and reasons**

- 7.1. Senior officers have reviewed the options and believe that the recommended option is likely to represent the best route forward as set out in more detail in the private appendix
- 7.2. Delegated authority is requested to allow the Assistant Director, Customer & Exchequer Service and Assistant Director, Legal and Governance to:
  - 7.2.1. Hold detailed discussions with the incumbent suppliers and their advisors in order to:
  - 7.2.2. Transfer Intellectual Property Rights (IP) and other assets in return for a shareholding in a new company established to run Looking Local
  - 7.2.3. Novate and/ or assign current contracts in accordance with existing terms and conditions in order to achieve the new arrangements
  - 7.2.4. Enter in to all relevant contractual agreements with the new entity in order to protect the Council interests in the Company and the benefit of the intellectual IP rights
  - 7.2.5. Agree the governance and performance monitoring arrangements including but not limited to a shareholders agreement which sets out relevant governance arrangements to ensure the Councils shareholding in the new company is adequately protected.

## **8. Cabinet portfolio holder's recommendations**

- 8.1 Cllr Turner approves the recommended option and is in agreement with the officer recommendations as further detailed in the private appendix. He also made a specific request that appropriate governance and performance monitoring arrangements are put in place with relevant council representation on the board.

## **9. Contact officer**

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## **10. Background Papers and History of Decisions**

Accompanying Private Cabinet appendix detailing options and implications

## **11. Assistant Director responsible**

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