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Date:

Dear Councillor

SOUTH HAMS EXECUTIVE - THURSDAY, 14TH SEPTEMBER, 2017

I refer to the agenda for the above meeting and attach papers in connection with the following item(s).

Agenda No	Item
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| 9. | <u>Local Authority Controlled Company (LACC) Project Review and Closure Report (Pages 1 - 14)</u> |
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Yours sincerely

Darryl White
Senior Specialist – Democratic Services

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Report to: **South Hams District Council Executive**

Date: **14th September 2017**

Title: **Local Authority Controlled Company (LACC)
Project Review and Closure Report**

Portfolio Area: **Leader of the Council - Strategic Vision**

Wards Affected: **All**

Relevant Scrutiny
Committee:

Approval and
clearance obtained: **No**

Urgent Decision: **N/A**

Date next steps can
be taken: Following Call In period – 26 September
2017

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Recommendations:

1. That the Executive Committee notes the Local Authority Controlled Company project closure report.

1.0 Executive Summary

- 1.1 The Joint Steering Group (JSG) was formed between West Devon Borough Council and South Hams District Council in August 2016. The JSG was tasked to consider further detailed information and to make a final recommendation to both Councils, in respect of the proposal to set up a Local Authority Controlled Company (LACC).
- 1.2 Having fully considered the matter, in January 2017 the JSG recommended to both Councils not to proceed with the implementation of a LACC as proposed at that time.

- 1.3 The JSG recommendation, together with the Final JSG Report was presented to South Hams District Council on 9th February 2017. The Council agreed with the JSG recommendation not to implement a LACC and arrangements were made by Officers to close down the project.
- 1.4 As part of the Project Management process, the JSG LACC project was formally debriefed and a closure report produced. This detailed the Lessons Learnt, Project Performance and its Closure Activities.
- 1.5 At the meeting of the Joint Steering Group on 6th March 2017, the LACC Project Review and Closure report was approved. It was agreed that once the PWC fee had been finalised, the report should go to both Councils.
- 1.6 The financial settlement with PWC was agreed in June 2017 and the LACC Project Review and Closure Report was again approved by the JSG at its 17th July 2017 meeting.

2.0 Background

- 2.1 On 27th July 2016, a full meeting of South Hams District Council considered a detailed business case prepared by Price Waterhouse Coopers into the viability of establishing a Local Authority Controlled Company.
- 2.2 At that meeting, it was resolved that a Joint Steering Group (JSG) be formed to consider a number of matters which Members felt required further investigation before making a final decision on implementing a Local Authority Controlled Company (LACC).
- 2.3 The JSG was made up of four Members from South Hams District Council and four Members from West Devon Borough Council, with the chair role rotating to the Leader of the hosting Council.
- 2.4 At the JSG first meeting, nine key areas were identified where further analysis was required to enable Members to make a final decision on whether or not to implement a LACC for the delivery of services to the Councils.
- 2.5 A Project Team was formed from Officers and external Legal and Financial advice was commissioned, in order for the nine key issues to be fully understood and the implications to the Councils made clear. Regular reports and updates were provided for the monthly JSG meetings.
- 2.6 When the JSG recommendations were made in January 2017, this in effect closed down the JSG LACC Project. The process for reviewing and closing down the project was commenced.
- 2.7 Debrief forms were sent to all JSG Members and Project Team Officers. This form asked for feedback on various aspects of the JSG LACC project, including what went well and what could have been improved.

3.0 Outcomes/outputs

- 1.1 The JSG LACC Project Review and Closure Report was reviewed and agreed at the JSG meeting on 6th March 2017. The content was agreed and suggested that the report be approved by both Councils.
- 1.2 As the final settlement figure with PWC report had not been agreed and paid, it was felt that this should be resolved prior to presenting the project closure report.
- 1.3 Following the financial settlement agreement with PWC in June 2017, the LACC Project Review and Closure Report was again reviewed and agreed at the JSG meeting on 17th July 2017.
- 1.4 The report highlighted the following;
 - The JSG worked well in bringing Members of both Councils together in a forum to consider the matters of setting up a LACC
 - The structured project approach was generally considered to be effective with clear reports setting out the issues to be considered
 - The Project Team liaised with other councils that are establishing LACC's, to exchange information and documents
 - Many Lessons Learnt were captured in feedback from JSG Members and Project Team Officers
 - The overall project performance was considered to be good, with its objectives met, keeping to timescales and within budget

- 3.4 The report made the following recommendations;

Recommendation 1 – The JSG worked well in offering a regular opportunity for Members of both Councils to consider matters which would have an impact across South Hams and West Devon. This forum should therefore continue albeit with a revised terms of reference

Recommendation 2 – Planning and project management worked on the whole effectively and ensured that the process was managed in a structured way. This approach should be further embedded across the organisation with standard templates and guidance for those staff commencing projects

3.0 Options available and consideration of risk

- 3.1. The project has closed and the Executive Committee are asked to note the content of the closure report.
- 3.2. There are no risks associated with this report and no key decisions required.

4.0 Proposed Way Forward

- 4.1. The JSG has continued to meet under new terms of reference and has been examining the One Council and Wholly Owned Company/Outsource options.
- 4.2. A Programme Board is being set up, to coordinate and manage all projects across both Councils. The Project Management principles will become embedded into the way the Councils approach future projects.

6.0 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	N	N/A
Financial	N	N/A
Risk	N	N/A
Comprehensive Impact Assessment Implications		
Equality and Diversity		N/A as no change to service delivery or policy
Safeguarding		N/A as no change to service delivery or policy
Community Safety, Crime and Disorder		N/A as no change to service delivery or policy
Health, Safety and Wellbeing		N/A as no change to service delivery or policy
Other implications		N/A as no change to service delivery or policy

Supporting Information

Appendices:

Appendix A – Joint Steering Group LACC Project Review and Closure Report (Exempt from publication)

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report	Yes

also drafted	
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Project Review and Closure Report

Project name:	Local Authority Controlled Company Project (LACC)
Report Date	24 th August 2017
Author	Dai Antill, Project Support Specialist & Neil Hawke, Project Manager
Approval	Sophie Hosking, Executive Director – Service Delivery & Commercial Development
Client	South Hams District Council & West Devon Borough Council Joint Steering Group

1. Executive Summary

1.1 Background

1.2 Both Councils started their “Shared Service” arrangements in 2007. Following several years of working together, the T18 Transformation programme was introduced across both councils during 2013 – 2015. These changes led to a new organisational structure, new processes and a new IT system. In March 2015 both Councils signed up to a Collaboration Agreement.

1.3 Recently the Councils have been exploring the possibility of establishing a Local Authority Controlled Company (LACC) to deliver a wide range of Council services.

1.4 Grant Thornton were commissioned to produce an “Options Appraisal” report in January 2016, with a detailed business case being developed by PWC in June 2016. Both Councils considered these reports in July 2016 but required further detail in order to decide whether or not to proceed with the implementation of a jointly owned Local Authority Controlled Company to deliver the Councils services.

1.5 A Joint Steering Group (JSG) consisting of Members from both Councils was formed in August 2016 to assess the outstanding matters. A project team was also formed at this time, to carry out the required tasks.

1.6 The project team commissioned legal (Bevan Brittan) and financial (Grant Thornton) advice and held a number of sessions with Members to work through some of the matters. The legal and financial advice was considered by the Joint Steering Group with their conclusions and recommendations being consolidated into a report in January 2017. The Joint Steering Group recommendations were considered by both Councils in February and March 2017.

1.7 This report primarily focuses on the phase of the project commencing after the PWC report was considered by Members.

1.8 Reason for Closing the Project

Following analysis of the outstanding matters, the JSG considered the position and made their recommendation in January 2017 that a LACC (providing all council services) should not be set up by the two councils. The Joint Steering Group felt that while there might be future financial benefits, the initial set up costs and



payback periods, particularly for SHDC; were too great. They did however suggest that other alternative options be investigated.

The Joint Steering Group full recommendations were agreed by both Full Councils in February and March 2017.

1.9 Highlights and Innovations

The project enabled the Joint Steering Group to examine in detail the nine key priority areas that they had identified. The structured project approach was generally considered to be effective with clear reports setting out the issues to be considered. The Joint Steering Group worked well in bringing Members of both Councils together in a forum to consider the matter of setting up a LACC. Given the shared service arrangements between the Councils, It is recommended that a similar forum continue to consider matters affecting future service delivery.

In order to provide the JSG with answers to the outstanding matters, officers commissioned external professional specialists to provide both legal and financial advice in setting up a LACC. Bevan Brittan provided the legal advice, whilst Grant Thornton provided the financial advice. The specialist advice and information received during this project has provided officers with a better understanding of the matters that need to be considered in a range of service delivery models and will be of use when considering alternative options.

The project team liaised with other councils that are establishing LACCs to reduced future budgets and funding. The project team worked with the 2020 Partnership (Cheltenham, Cotswold, Forest of Dean and West Oxfordshire Councils) who were also looking at setting up a LACC for their four councils. We exchanged information, documents and also had a video conference between both project teams. The conference with the 20:20 partnership highlighted that the information which South Hams and West Devon Members were basing their decision on was much more in depth than that which other Councils Members had received prior to implementation.

1.10 Recommendations

Recommendation 1: The JSG worked well in offering a regular opportunity for Members of both Councils to consider matters which would have an impact across South Hams and West Devon. This forum should therefore continue albeit with a revised terms of reference.

Recommendation 2: Planning and project management worked on the whole effectively and ensured that the process was managed in a structured way. This approach should be further embedded across the organisation with standard templates and guidance for those staff commencing projects.



2. Lessons Learnt

In February 2017, once the Final Report with Joint Steering Group recommendation was submitted; project debrief forms were sent to all project team officers and Joint Steering Group Members. Eight project team and six Joint Steering Group replies were received. In reviewing the feedback and comments received; the following is a summary of the views expressed.

- Project Management/Support – was organised, timely and efficient in managing and controlling project.
- PWC report – didn't deliver what was required
- Project Team – demonstrated teamwork and flexibility, were professional, delivered everything requested and to a good quality
- Joint Steering Group – were well organised and had good attendance. They worked well as a group and produced good discussions and varying viewpoints.
- Bevan Brittan – excellent written and verbal advice, with good knowledge of LACC issues. Clear advice and good value for money.
- Grant Thornton – Varying views on quality and cost but ultimately delivered what we needed to know
- Project Reports – the quality was good although some lapsed on deadline for circulation. Allowed for all issues to be considered in detail.
- Communications – good clear communications to those involved in project/JSG. Wider Member involvement and communication not as effective
- Work streams– different teams worked well with each other and were effective.
- Other comments – demonstrated ability to deliver most work in house and seek external support as required. Good example of how a project should operate in practice and well supported by officers.

Some of these matters are explored in more detail below.

2.1 Overall Project Performance

Both the project team and Joint Steering Group membership worked well to examine in detail all nine issues, before making their final recommendations. The JSG Members worked well together and was an effective group. The project team produced good quality reports and presented in such a way that the JSG was able to examine all nine issues and make evidence based decisions.

The project remit with its roles and responsibilities was made clear at an early stage, with work stream leads briefed. The project was kept on track through good project management. This ensured all process were being monitored and controlled, actions completed, budgets monitored and deadlines largely kept.

The legal advice and support from Bevan Brittan was regarded by all who responded to have been clear with specific recommendations made in a timely manner.

Monthly meetings of the Joint Steering Group and project team were scheduled in advance. The frequency of the meetings ensured that the overall project timescales were met with the final report considered by JSG Members in January 2017 and reports to Council in February/March 2017.



2.2 Performance against Objectives & Outcomes

The Project Initiation Document had the following objective -

“This phase of the project seeks to finalise the outstanding matters prior to making recommendations to Full Councils in February 2017”

This objective was achieved, resulting in the Final Reports being produced for both Councils at their February 2017 Full Council meetings. The LACC proposal was discussed at Audit Committee and Executive/Hub Committees prior to the Full Council meetings.

The remit of the JSG was clearly to explore the LACC proposal however through the project the project team were regularly asked about the alternatives. While these could have been looked at in parallel with the LACC proposal, it would have resulted in a longer timescale or increased cost.

With the pension matters so critical, some asked if the pensions “Red Line” could have been examined any quicker in the project stages, saving some time and money. It did take time to reach a final position in this respect with this being delivered through the financial modelling presented to Members in December 2016. The initial report commissioned by external financial advisers (PWC) looked at the Pensions area and did not highlight in detail the specific pensions issue which ended up causing the difficulty and the increased costs, as this was deemed to be an aspect required at a later stage of the project.

The matter was further investigated by Council officers and in order to fully understand the implications, officers of the Council were required to meet with Barnett Waddingham (the Actuaries), Devon Pensions and Bevan Brittan. Given the range of required attendees, the meeting was unable to take place until November. For future projects where actuarial information is required, it would be prudent to look at scheduling these meetings early in the planning stage.

The scale of the potential trading opportunity was highlighted as an area where Members felt that further work could have been undertaken. Desktop analysis of potential opportunities was undertaken by PWC and further developed by the Project Team with an analysis of the profit margins for each of the opportunities. More in depth analysis would have required additional support and would have increased expenditure on the project.

When the modelling was presented to Members, it did at times feel as though the project was too focused on the worst case scenarios of implementing a LACC rather than the middle ground. The lack of clarity in the original PWC report may have been a factor in this, leading to a lack of confidence in the new information being presented. Had the JSG been set up at an earlier stage in the process (prior to commissioning PWC) this may have helped overcome some of this.

2.3 Performance against Schedule

The timescales were acknowledged from the outset as challenging. The PWC work that took place prior to the formation of the JSG took longer than originally planned and did not deliver the information required. This meant that the next phase would need to spend time covering some of the same ground, albeit in more detail.



Dedicated project support was appointed to ensure that officers and contractors were kept on track to the revised timetable and this worked well. Some project team officers did however find it demanding at times to juggle their day job and requirements of the project. ELT are currently developing 17/18 service plans setting out the requirements for the organisation which will enable officers to allocate time more effectively for future projects.

During this stage of the project, a period of six months was given for the Joint Steering Group and project team to get established, examine the key issues and report back to both Councils. Monthly Joint Steering Group and project team meetings were scheduled to monitor the progress of the work required. These meetings were held and ensured the final reports were produced within the set deadlines.

There were occasional delays in circulating agenda papers which prevented Members from having sufficient time to consider the information in advance of the meeting and therefore much more discussion was required during the meetings. A large amount of time at the initial meetings was spent discussing the JSG Terms of Reference which meant less time to discuss the priority issues.

For future projects of this nature, a decision log and stage gate decision points would enable more focused discussion, especially with the various financial modelling exercises.

2.4 Performance against Budget

The total costs of the project to South Hams District Council were £106,000 (SHDC share only). The SHDC approved budget was £150,000. Therefore the project kept within the initial budget allocated from each Council (each Council allocated a budget of £150,000 and all costs were split 50%/50% across both South Hams and West Devon).

There was a further SHDC budget of £126,750 to fund the LACC through implementation stage and this budget has not been utilised, but is being monitored through the Joint Steering Group Future Options.

Monthly budget updates were given to the Joint Steering Group and project team meetings. The PWC report fees have been subject to negotiations, with a reduced final settlement of £85,000 (SHDC share of £42,500) agreed in June 2017.

The majority of project expenditure was on external advice – legal, financial and actuarial. This advice will be transferrable in exploring alternative options.

It was suggested that the project could have looked to learn more from other Councils that have formed, or were about to form a Local Authority Controlled Company. The Project Team did engage with project leads from the 20:20 partnership however it quickly became apparent that we had explored issues in much more detail prior to agreeing to implement a LACC than they had and so little practical experience could be gained in addressing the matters we were looking at – particularly pensions.

The unique selling point for the proposed LACC would have been the wide scope of services it was able to offer customers. Other Councils have currently only implemented LACCs for specific services and so the pensions impact would not have been such an issue for them therefore little could be learnt.



Given the individual circumstances for different Councils, there would still have been a requirement to commission specific advice and so we would have been unlikely to have reduced the funding requirement.

2.5 Communications and wider Member engagement

While there was good communication between the project team and members of the Joint Steering Group, communication with the wider membership could have been improved. The decision was taken early on in the project that specialist advice from Bevan Brittan and Grant Thornton should only be shared with the wider membership when the answers were known. This appeared to create an “air of secrecy” although regular written updates were provided through the member bulletin.

Workshops were held in both Councils to consider Reserved Matters for the LACC with the output being an agreed list to be further developed should the project proceed to implementation. Another workshop was also held with South Hams Members to review the LACC Risk Register and associated issues.

The Audit Committee of both Councils considered the matters concerning governance however given the project timescales, these meetings took place a few days before the JSG could consider their final recommendation. While the matters being explored by Audit Committee were specific to Risk & Governance matters, by the very nature, the items considered led to a much wider debate on issues which the JSG had yet to finalise their decision. This did seem to further cause a feeling of mistrust in the content of the final report before it was made available to Members.

3. Closure Activities

Following the recommendation from the Joint Steering Group, that a LACC should not be set up; this in effect closed the project down. There would be no implementation phase of the project and no further meetings to consider a LACC. Whilst another project to look at alternative options is being set up, this project is being closed.

The project team have been updated and thanked for their contribution to the project. They have all been sent debrief forms to provide their feedback from this experience.

Council staff and stakeholders have been updated and press releases sent as part of the prepared Communications Plan.

Most of the project team were carrying out their day jobs throughout the project, completing tasks as required.

The only officers seconded and paid for by the project were Dai Antill (seconded Project Support) and Andrew Ogalo (paid Agency Lawyer). Dai is seconded to the project until June 2017 and in addition to closing the project is supporting a number of other projects within the Council. Dai completed his Foundation Prince2 (Project Management qualification) course in March 2017. Andrew remains with the Councils as an Agency lawyer for other legal work.

Budgetary issues have now been finalized, to close down the project budget. The outstanding funds allocated to the budget are to be diverted towards the new JSG options project.



A draft version of this Closure Report was discussed at the Joint Steering Group meeting on 6th March 2017. It was agreed that this report should be submitted to both Full Councils. This amended report will be submitted to the July JSG meeting, having been delayed for the PWC negotiations.

There are no outstanding issues in respect of this LACC project.

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