

Briefing Note by: **South Hams District Council**

Title: **Update for Salcombe Harbour Board concerning the Council's proposal to form a Local Authority Controlled Company**

Date: 26th September 2016

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1. Summary

- 1.1. This briefing note provides an update on the current position on the Council's proposal to form a Local Authority Controlled Company (LACC) and some options for consideration by the Salcombe Harbour Board in relation to the current hosting arrangement of the Harbour team.

2. Background

- 2.1 A briefing note was presented to the Salcombe Harbour Board in July 2016 setting out the background of the T18 transformation programme and explaining that the establishment of a Local Authority Controlled Company (LACC) was the final phase in the programme.
- 2.2 South Hams District Council (with West Devon Borough Council) commissioned PriceWaterhouseCoopers (PWC) to develop a detailed business case in respect of establishing a Local Authority Controlled Company. The PWC report concluded that there are clear benefits in establishing a LACC jointly with WDBC and this conclusion formed the basis for the officers' report to Council (Appendix A).
- 2.3 The detailed business case and officer report was debated at Council on 28th July 2016. Following the debate, the final resolution from Council was that:
- 2.3.1 *The Council proceed with the work which enables a more considered decision to be made with regard to the implementation of a LACC, jointly owned with West Devon Borough Council subject to their being a satisfactory outcome to outstanding pensions, tax and governance questions*
- 2.3.2 *That a Joint Steering Group (JSG) be formed with West Devon Borough Council to deal with the outstanding matters*
- 2.3.3 *That the Audit Committee be tasked to consider the JSG's recommendations regarding risk and governance*
- 2.3.4 *That the date of transfer of staff to a LACC be decided on by the JSG*

2.3.5 *That the Council approve the use of up to £126,750 of the 16/17 budget surplus reserve for the set up costs of the LACC*

2.4 Similar resolutions were made by West Devon Borough Council however this report focuses on South Hams District Council.

3. Proposal

3.1. Following the Council meeting, a Joint Steering Group has been formed and a Project team appointed to work through the detail required by Members ahead of a final decision. The current project timetable is for the Joint Steering Group to make a final recommendation to Full Council in February 2017.

3.2. The proposal remains that staff and services currently provided by the councils' Commercial Service, Customer First and Support Services would be transferred across to the new company. The report to this board in June indicated that the likely date of staff transfer to a LACC would be April 2017 however given the additional work now required, it is more likely that September 2017 would be the earliest date of any transfer of staff.

3.3. The staff currently providing the Councils' Strategy and Commissioning functions would stay in the direct employment of the Councils (this is likely to be less than 25 staff in total). However, the Councils will decide on the most cost effective way of providing the services.

3.4. As the Council has now agreed to proceed with developing the detailed work in respect of pensions, tax and governance issues, we recommend that it is a suitable time to consider in detail the implications for the hosting of the Salcombe Harbour team.

4. Key considerations

4.1. There are two main options that the Joint Steering Group might wish to discuss with the Harbour Authority if the Council did proceed with implementing a LACC including:

Option	Potential Impacts
Continuing with the current hosting arrangement i.e. South Hams DC continuing to be the host employer for the team	<ul style="list-style-type: none">• Support services would be delivered by the LACC via its overall contract with the Council• There would be minimal benefit in the Harbour Staff remaining with the Council as services supporting them would be within the LACC• No disruption to the harbour team
Transferring the employment/ hosting of the team to the LACC	<ul style="list-style-type: none">• TUPE would apply for staff transferring to the LACC• Provides potential opportunity for employees to move roles in future within the LACC – particularly if Harbour services need to be reduced due to income reductions

	<ul style="list-style-type: none"> • Flexibility for LACC to agree service changes with Harbour without going through SH contract with LACC • Potential ability to trade employee skills and experience to other organisations through LACC and make a profit • Employees would still be eligible to remain in the Local Government Pension Scheme as LACC will seek Admitted Body Status. • It is possible that the employers' pensions' contribution rate would reduce slightly on transfer to a LACC as the LACC would have its own contribution rate placed somewhere between the current West Devon rate (lower) and the South Hams rate which is higher. Further work on pensions is being developed • Funding only available to Local Authorities would be drawn down through the Council and form part of the contract payment to the LACC
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4.2. No decisions are required at the present time however in developing the detailed proposals for Council in February 2017, it will be important that Members Joint Steering Group engage with Members of the Harbour Board so that the Council can make a fully informed decision on the hosting arrangements should the Council agree to proceed with the implementation of a LACC

For further information contact:

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