

SHWD LACC

Draft Business Plan

2017 - 2022





Introduction

This Draft Business Plan outlines a vision for current and future services, to be provided by a Local Authority Controlled Company (LACC).

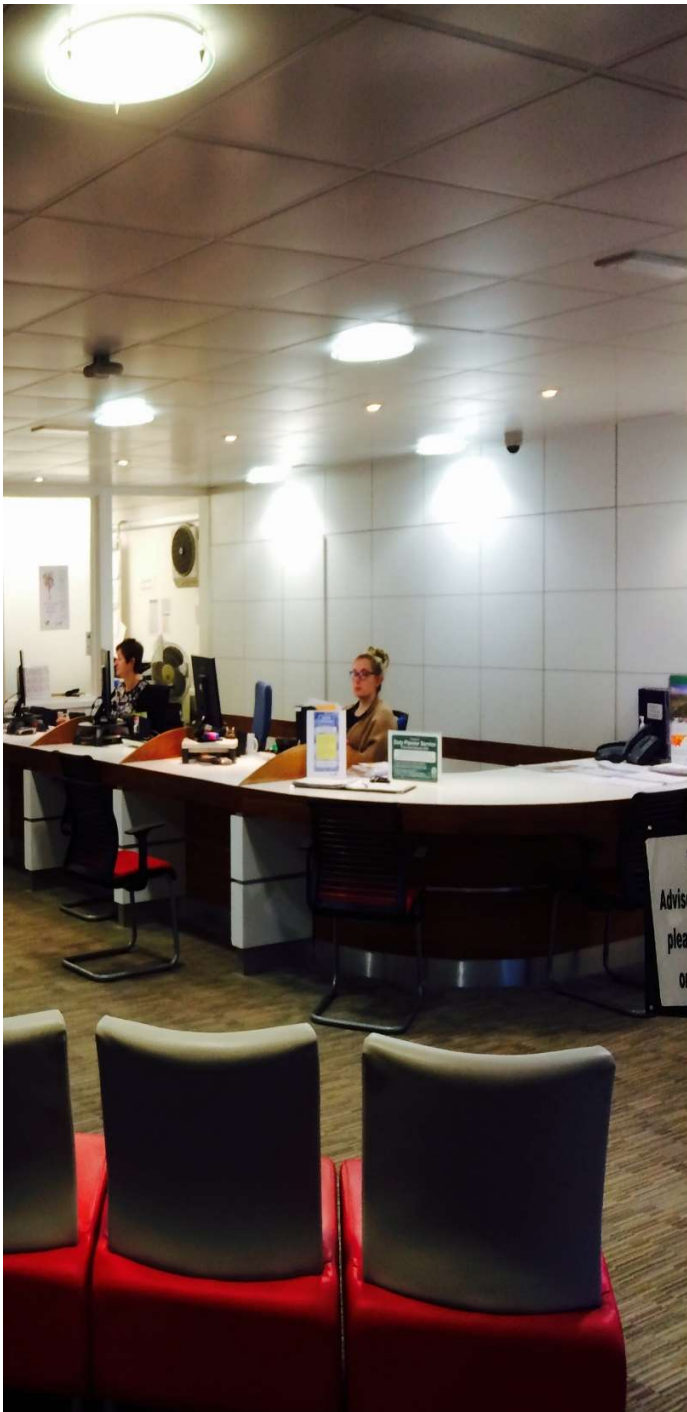
The LACC will be owned by both South Hams District Council and West Devon Borough Council. Both have been bold in challenging the traditional local government model and have always been at the forefront of radical change.

The purpose of the Councils' T18 transformation programme has been to position both Councils to meet their financial obligations until 2018 and be able to continue to deliver the full range of services without

cuts or long term reduction in quality. However both Councils are keen to secure the future of services beyond 2018.

The LACC aims to support the Councils in securing that sustainable future.

This draft plan will form the basis for consultation, engagement and co-design with staff and other stakeholders during the implementation phase, with a view to presenting an updated plan to the Joint Shareholder Committee for approval prior to the LACC going live.



Our Purpose

We are a company wholly owned by the public sector, delivering a wide range of public sector services

The LACC will provide the primary point of contact for all customers of South Hams District Council and West Devon Borough Council.

Core Purpose

The LACC will provide the primary point of contact for all customers of South Hams District Council and West Devon Borough Council. Using technology and cost effective processes, we will increase our ability to resolve customer issues at the first point of contact. The customer will be able to access our services through multiple channels (website/self-serve face to face, home visits, telephone)

Our Objectives

Our objectives will be to:

- Deliver services to the communities of South Hams and West Devon;
- Generate income by delivering services on behalf of other organisations. By exploring opportunities to provide services to other organisations, we aim to ensure that the services of the two Councils are sustainable in the future;
- Create a vehicle which gives both Councils a mechanism to generate profit from certain activities; and
- Ensuring the future viability of both organisations through appropriate strategic positioning in the public sector.

Our Organisation

Our Shareholders

- The LACC will be a Company Limited by Shares, and will comply with the Public Contract Regulations Teckal arrangements – this essentially means that our owners can ask us to do work for them without undertaking a procurement
- The LACC will be owned by South Hams District Council and West Devon Borough Council (“our shareholders”)
- Our shareholders must comply with Teckal arrangements in doing business with the LACC. This means that the LACC:-
 - Must be controlled by our shareholders in a similar way as they control their own in house departments
 - Must deliver at least 80% of it’s services for the shareholders
- We can have new shareholders in the future however these cannot be private shareholders.

Our Background

[This section will require updating based on member decisions whether or not to progress with the LACC]

Employees of the LACC have previously worked for our shareholder organisations.

Our shareholders undertook a significant transformation of the way in which its services are delivered – known as T18.

The purpose of the councils’ T18 transformation programme had been to position both councils to meet their financial obligations until 2018 and be able to continue to deliver the full range of services without cuts or long term reduction in quality. However both councils are keen to secure the future of services beyond 2018.

During 2015/16 the councils reviewed their priorities and Members from both Councils agreed the top priority for each organisation was to achieve financial sustainability. Both councils also stated that they did not want to see a reduction in the level or quality of services delivered to their communities. The T18 programme has jointly saved the Councils £5m so far and the LACC is the next step of the journey

Our Location

- We operate our services from a number of locations across south west Devon.
- Our Head office (“Registered Office”) is Follaton House in Totnes
- Our office based staff primarily work from Follaton House and Kilworthy Park in Tavistock



Our Services

Our Services

The LACC will continue to deliver the following services on day one of operation

- Customer First – Environmental Health, Planning, Enforcement, Housing, Assets, Revenues & Benefits, Customer Services including Customer Call Centre and Localities
- Commercial Services – South Hams Waste, Street Scene, Salcombe Harbour

These services will be delivered in line with agreed service specifications setting out required performance levels and targets. These services will be supported by the LACCs Support Services function.

- Support Services – HR, Legal, Finance, ICT, Design and Internal Service Desk and Communications



In the first year of operation, the LACC will work with West Devon Borough Council to explore options for the delivery of the currently contracted waste service with a view to delivering this service from 2019

“The Local Authority landscape is changing rapidly, this provides real opportunities for forward thinking Councils”

Our Customers

Current Customers

The LACC will initially have two main customers – South Hams District Council and West Devon Borough Council. It is important that we can demonstrate credible delivery of services through a contract to demonstrate to potential customers in the future that we have significant experience of delivering these services.

Through the contract with the Council, we will deliver services direct to the public.

We will develop a detailed contract implementation and transition plan for the LACC so as to ensure that our customers do not experience an interruption in service availability.

We will develop mechanisms for demonstrating value for money to our customers during the duration of the

initial contract (5 years) so as to secure future business.

Future Customers

Although the focus for the first two years will be on delivery to South Hams and West Devon, the LACC will explore opportunities for early delivery of services to other organisations. The earlier we achieve new sources of income, the sooner there can be a financial return to our shareholders (South Hams and West Devon).

The LACC has three main ways in which it can develop

- Delivering further services for South Hams and West Devon Councils
- Delivering existing services to other organisations
- Delivering new services to other organisations



Embed, Deliver, Grow, Excel.....



Growing the business

Route 1 – Delivering Further Services to South Hams and West Devon

The LACC delivers the majority of services previously delivered by the Councils however there are some areas which could be considered for future inclusion. The LACC will look to undertake detailed costing and implementation planning for inclusion of West Devon Waste contract at the end of its current Managed Service

We will work with the Councils to explore other areas for inclusion if we feel that there would be mutual benefit.

This type of expansion is the easiest and will be considered at the earliest opportunity

Route 2 - Delivering current services to other organisations

We would need to be able to demonstrate ability to deliver services through a contract and so this route is likely to require two years in order to demonstrate relevant experience and to comply with procurement timelines. At an early stage of operation, a Business Development Group would be formed to explore opportunities and engage with other Councils, undertaking soft market assessments.

An alternative is that another Council could approach the LACC about becoming a partner in the business and therefore the LACC would expand without the need to tender for the contracts. Discussions are already underway with other Councils in this respect.

Route 3 - Delivering New Services to new organisations

This would entail the LACC delivering services that it currently doesn't deliver for South Hams and West Devon to other authorities and organisations.

This route would be the most complex and so is not an immediate priority of the LACC. We would also need to be mindful of Teckal compliance.



Our Sector

Our Sector



Since 2010 Local Authorities have been subject to increasing budgetary pressures and decreasing grant income from Central Government. This position is looking increasingly difficult for the future given the 2017-18 budget settlement. The recent decision to exit the European Union is extremely unlikely to improve financial prospects for the public sector in the short to medium term.

Local government is set to face a funding gap of £9.5bn by 2020. With limited scope for further efficiencies, this can only put at risk valued public services.



We have commissioned a review which identified that the potential of financial failure across the sector is a real possibility with nine out of ten Chief Executives believing that some local authorities will get into serious financial difficulties in the next five years;

Local authorities see a way ahead through joint working and many are already working closely together and with other local partners to reform delivery and funding of local services by managing demand and agreeing joint objectives.



The Local Government Association paper, Under Pressure: How councils are planning for future cuts (2015) identifies:

- Councils are currently half way through a scheduled 40% cut in funding from central government.
- Having delivered £10bn of savings in the three years from 2011/12, local authorities have to find the same savings again in the next two years. As a result of these cuts, councils in many areas will not have enough money to meet all their statutory responsibilities;



The Local Government Association paper, Our Future Funding Outlook model predicts that, due to protected services, the amount of money available to deliver some of the most popular local services will shrink by up to 66% by the end of the decade. This is likely to result in significant reductions in the help that councils can provide to local businesses; and Councils across England are preparing strategies to help mitigate these pressures. Local circumstance dictates what options are available for quick cost savings or income generation and the nature of the decisions that need to be made to achieve a sustainable financial position.

Our Market

Our Market

The primary market for the LACC is in delivering public services. This is very much an emerging market as other Councils consider how to address their funding reductions.

We commissioned research which identified that the combined Local Authorities in the South West have an annual budget spend of approximately £4.6b, of which approximately £780m is the potential market for those services which will be already provided by the LACC on Day One of operation (Commercial Services, Customer First and Support Services)

Our Opportunities

Within the potential market identified above, the research also identified a range of contracts with a potential value >£38m within the South West area that are anticipated to be released to market within the next 4 years.

While it is an emerging market, the LACC has an opportunity to position itself at the forefront of this market for delivering these services and therefore able to take advantage of opportunities provided by other, less forward-thinking organisations

Our proximity to other Local Authorities presents multiple opportunities for the provision of services. In the short term it is likely that operations will be focused locally, but longer term opportunities may be presented further afield e.g., Somerset and Wiltshire

There is potential to generate additional revenues following the transitional phase and skills development, including:

- 'know how' i.e. the selling of experience and knowledge gained from the T18 transformation programme and the establishment of a LACC;
- Support services (provision of administration services e.g. payroll);
- Field services (e.g. provision of waste and building maintenance services)

There is a clear risk that if councils start failing due to financial pressures, there may be a requirement for take-overs, combined councils or unitary arrangements. The requirement for these councils to maintain their service delivery could provide opportunity for the LACC. The Government is interested in innovative solutions to support failing councils and we are already in discussion with the Department for Communities and Local Government.

Our Offer

Our assessment of the market indicates that the LACC is unique in delivering a wide range of district council services.

We consider there to be a market edge in being able to sell consultancy services in relation to the T18 transformation model which would also apply to the locality working model. There has already been interest in these models from a number of other local authorities, which we would now offer on a commercial basis.

There is a key market advantage in implementing the T18 model ahead of other local authorities which will only be marketable for a finite period.

The LACC would have a number of strengths as set out opposite

Area of strength	Explanation
Scale	<i>The LACC provides a wide range of public sector services. We are unaware of another LACC which offers this wide range – typically they are established for a specific purpose – for example, Waste Collection. This puts us in a strong position to tender for contracts where a Council is looking for a provider to deliver such a wide range of services.</i>
Speed to market	<i>By establishing a LACC at this point, we can capitalise on a Market which is still developing. Many LACC's are formed with services being delivered as they are in house with the focus of the first few years of operation being on transforming those services. We are already a long way through our transformation programme and so can focus on delivery of services back to the Councils and identifying new opportunities much earlier than competitors that may come along</i>
Public owned services	<i>There are many private sector providers of services in the market however we feel that providing a solution which is wholly owned by the public sector would be a more attractive offering for many Councils</i>
Value for Money	<i>The success of the T18 programme (saving the Councils £5m so far) demonstrates that we can deliver services for less. The focus of the LACC for the first two years will be demonstrating expected levels of performance to the Councils which can be used to demonstrate to other Councils the potential of the LACC.</i>
Our staff	<i>Our staff have embraced delivering services to two Councils. The skills developed in working to two different organisations elected members will be a skill that is transferrable to managing relationships with different contracts. Many local authorities staff are only used to working for one organisation at a time.</i>

Our People

Our Leadership Team

Our Leadership Team have lead two Councils through a significant transformation programme which has seen the Councils sharing all services. This new way of working, which only a handful of Councils nationally operate has focused service delivery on the needs of the customer.

Our Staff

The Service Delivery of the LACC will be the responsibility of its Management Team. The Management Team will consist of Executive Directors and the transferring members of the current Council Extended Leadership Team (i.e. those responsible for day to day delivery of the services)

All staff and managers of the LACC were appointed within the Councils using the IMPACT Framework. This framework sets out a number of behaviors which the LACC staff will demonstrate

- **Responsible** – We take ownership of our actions and are accountable for our performance, finding a solution to every problem and making appropriate decisions
- **Communicative** – We express ourselves clearly, respectfully and with enthusiasm, varying the way we communicate to ensure the message is understood
- **Adaptable** – We maintain a positive outlook and we are adaptable and show flexibility in the way we work
- **Challenging** – We are innovative, challenging the status quo to drive continuous improvement in everything we do
- **Co-operative** – We work collaboratively with colleagues and partners, building and maintaining effective working relationships with a range of people
- **Outcome focused** – We deliver timely and excellent results focusing on quality outcomes for our customers



The following tables sets out the number of staff delivering services to South Hams District Council and West Devon Borough Council on day one of the contract

Service Area	FTE Staff
Customer First	TBA
Support Services	TBA
Commercial Services	TBA
Total	TBA



Developing Our People

Our Development Goals

From high moorland to tranquil beaches, town life to country living, the South Hams and West Devon are great places to live and work. We have high performing staff that are experts in delivering public services.

We will ensure that in addition to developing our existing staff to reach their maximum potential, we also develop a recruitment strategy to maximize the LACCs position in the market.

The T18 transformation programme has already begun to bring a commercial focus however this will be nurtured and developed over the first years of operation.

As the focus for the first two years of the contract will be ensuring value from the contract with our shareholders, we will not recruit a specific Business Development post at this stage.

We will work closely with the Councils’ Group Manager Business Development and form a Business Development Group with key staff from the LACC and the Councils to consider our market position and explore potential opportunities through soft market testing etc.

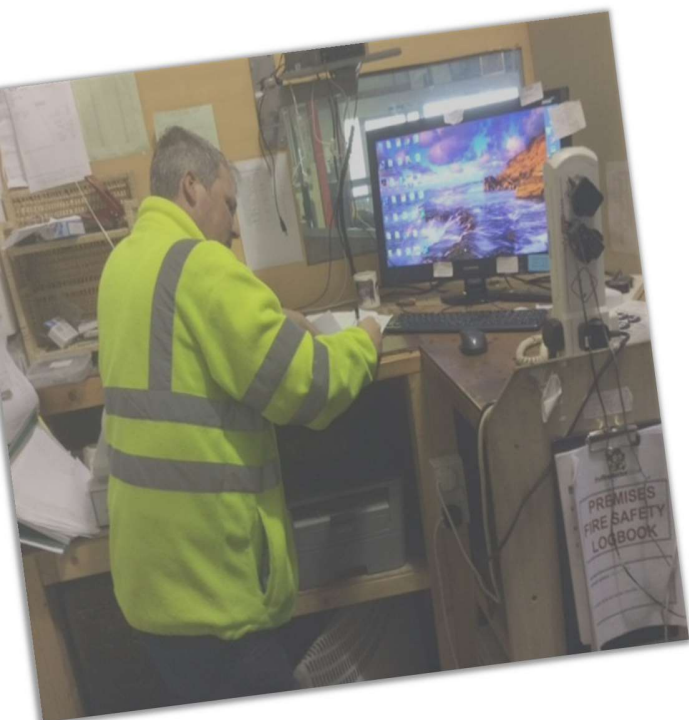
We will develop a training programme for the Business Development Group to ensure commercial awareness is embedded across the organisation.



Commercial Skills and Behaviours Development – Outline Plan

We have developed a detailed plan for developing the commercial skills of the LACC. The headlines of which are as follows.

Priority	What
1	Identify skills base for proposed Board and Senior Management of the LACC
2	Appointments to Non-Executive Board Members based on skills gaps identified during implementation
3	Develop training plan for Board and Senior Management
4	Implement training for Board and Senior Management



How we are governed

The LACC will be fully owned by the public sector and primarily focused on delivering services to our owners. At least 80% of the services provided must be delivered for our shareholders

The shareholders are South Hams District Council and West Devon Borough Council and there is no private ownership. South Hams District Council and West Devon Borough Council exercise the same control over the LACC as it does its own departments through the following means.

Full Council

Both South Hams District Council and West Devon Borough Council will consider the following matters at Full Council meetings;

- Approving the Joint Shareholder Committee's scheme of delegation
- Appointment and changes to members of Joint Shareholder Committee
- Approval of annual business plan for the LACC
- Decisions on winding up the LACC
- Dismissal of any statutory officers that may be employed by the LACC (for example Section 151 or Monitoring Officer (although currently these are proposed to remain with the Councils)

Joint Shareholder Committee

A Joint Shareholder Committee will be formed and will be responsible for overseeing the direction of the company and considering reserved matters (i.e those matters which both Councils consider important enough to retain final decision making over). The Committee will consist of elected Councillors from both Councils

In summary, the Joint Shareholder Committee will;

- Approve constitutional documents of the LACC
- Approve addition of new shareholders (i.e other Councils)
- Approve the LACC details (name, registered address etc)
- Approve appointment of key officers within the LACC
- Appoint Executive and Non-Executive Directors to the Board
- Approve reserved matters

Our Directors



LACC Board of Directors

- The Joint Shareholder Committee will make appointments of Directors to the Company Board. The Directors will be accountable to the Committee.
- The Directors will be accountable for the successful operation and growth of the company. These individuals will at all times make decisions in the best interest of the LACC
- The Directors will produce an annual report for the Joint Shareholder Committee at the end of each financial year setting out the LACC's performance. They will also be responsible for preparing and presenting the LACCs annual business plan to the Councils.
- The LACC is not required to appoint a Company Secretary. The directors will be responsible for ensuring all filing arrangements with Companies House and HMRC are complied with.

Our Finance

Our Funding Sources



From day one, the LACC will have a contract with South Hams District Council and West Devon Borough Council for delivering the Councils' existing services. Combined, these contracts will be for £26.4m pa. This contract is for a minimum term of 5 years.

The focus of the LACC in the early years will be to finalise the implementation of core systems and processes in respect of its services for South Hams and West Devon and so our financial modelling does not assume any income from trading in the first two years.

Revenues for years 1-5 from our current customer base are as follows:-

Income £,000

Customer	18/19	19/20	20/21	21/22	22/23	Total
South Hams District Council	15,672	16,033	16,297	16,570	16,852	81,424
West Devon Borough Council	11,349	11,593	11,507	11,717	11,931	58,097
Total	27,021	27,626	27,804	28,287	28,783	139,521

Capital Funding

The LACC will use the assets which are owned by South Hams and West Devon in delivering their services.

Financial Projections

[this section will be worked up in more detail during implementation]

The below table summarises the LACC's projected (profit)/loss for years 5,10,15,20 and 25

	Year 5	Year 10	Year 15	Year 20	Year 25
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
No 3rd Party Income	0	0	0	0	0
Low 3rd Party Income	(214)	(474)	(523)	(578)	(638)
Teckal Threshold	0	(427)	(523)	(578)	(638)

- Projected Cash flow – Year 1 only
- Project Balance Sheet – Year 1 only, include explanation to low asset base on balance sheet

Further Financial Considerations

- Impact / Treatment of Taxation
- Impact / Treatment of Pensions