

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

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

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## **1. Summary**

1.1. This briefing note sets out 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. In 2013-14, South Hams District Council and West Devon Borough Council embarked on an ambitious transformation programme called "T18". This consisted of 4 main elements:
- a) The restructuring of functions and processes;
  - b) A culture change programme based on IMPACT behaviours;
  - c) An IT and systems development programme to support new ways of working; and
  - d) A review of organisational structure and governance to ensure the future delivery of services to the community, with an ambition for growth.
- 2.2. It is this final element that is the subject of this briefing.

## **3. Proposal**

- 3.1. Since 2010 Local Authorities have been subject to increasing budgetary pressures and decreasing grant income from central government. This position is looking significantly worse for the future given the most recent budget settlement and it is extremely unlikely that the recent vote to exit the EU will improve the situation.
- 3.2. The purpose of the councils' T18 transformation programme had been to position both councils to meet their financial obligations until 2018 and to 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.

- 3.3. The Councils have reviewed various options to meet their objectives of continuing to deliver the full range of services whilst ensuring financial sustainability. The proposal currently being considered by the Councils is the formation of a company that would be wholly owned by both the Councils for the purpose of:
- a) Delivering services to the communities of South Hams and West Devon;
  - b) Generating income by delivering services on behalf of other organisations;
  - c) Creating a vehicle which gives both councils a mechanism to generate profit from certain activities; and
  - d) Ensuring the future viability of both organisations through appropriate strategic positioning in the public sector.
- 3.4. The proposal is that staff and services currently provided by the councils' Commercial Service, Customer First and Support Services would be transferred across to the new company, with the view that the company would be operational with effect from April 2017 at the earliest.
- 3.5. 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).
- 3.6. The Councils have commissioned PwC to draw up a detailed business case to consider the establishment of the LACC in order to make a decision on whether to proceed or not. The Councils will be reviewing the business case and making a decision at the end of July 2016.
- 3.7. If the Councils were to decide to proceed with the establishment of a LACC and the transfer of staff and services, then there would be implications for the hosting of the Salcombe Harbour team.

#### **4. Key considerations**

- 4.1. Should the LACC be established there are a number of options that the Harbour Authority might wish to consider including:
- a) Continuing with the current hosting arrangement i.e. South Hams DC continuing to be the host employer for the team, but with support services provided through a contract with the LACC.
  - b) Transferring the employment/hosting of the team to the LACC.
  - c) Finding a different organisation altogether to host the team team.
  - d) Variations on all the above.

- 4.2. No decisions are required at the present time and it may well be that the Councils decide not to pursue the proposal any further in July and this briefing becomes irrelevant; however it is important that the Board are aware of the proposal and the potential implications for the hosting of the team should the LACC proposal be implemented.
- 4.3. It is proposed that should the Councils decide in July to set up the LACC, a full report is brought to the Board for discussion at their next meeting.

For further information contact:

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