

Bassetlaw District Council

Cabinet

11th July 2023

Report of the Director of Corporate Resources

S80 Partnership Ltd – Request for further funding

Cabinet Member: Corporate Strategy
Contact: Michael Wildman

1. Public Interest Test

- 1.1 The author of this report, Michael Wildman, has determined that this report is not confidential.

2. Purpose of the Report

- 2.1 To provide members with an update on the current position of S80 Partnership Ltd and proposals for the future development of the company.
- 2.2 To request additional funding to finance the development of the company by way of a loan to be repaid to the Council within 5 years.

3. Background and Discussion

- 3.1 S80 Partnership Ltd was established in October 2017 to oversee trading activities on behalf of the Council. The strategic objectives included:
- Maximising the commercial opportunities available to the Council, and
 - Optimising the financial return from trading activities.
- 3.2 S80 Partnership allowed greater freedom and flexibility to develop and market services, predominantly inside, but outside the district boundary as well, where appropriate. Any services that would benefit from trading commercially could be considered by the S80 Board, which provided the Council with the ability to do things it cannot currently do, specifically:
- Create a commercial culture
 - Generate profits to meet the aims of the Council, and
 - Carry out trading activities both inside and outside of the District.
- 3.3 Whilst some business cases have been drafted, the growth of S80 as a trading company has been limited although growth has been steady. There are currently two trading units – S80 CCTV and S80 Land Management. To date, S80 do not have any direct employees and relies on the Council for

support through a service level agreement. This has limited the growth of S80 as Council resources have been stretched over the last few years.

- 3.4 Recent developments in the District including Middleton's Yard and the Bridge Skills Hub have put an increase demand on Council staff. Future developments such as the Priory Centre and particularly the STEP project are likely to provide commercial opportunities for the Council to achieve some of its strategic objectives and to improve its financial position. To exploit these opportunities fully it is important to have a fit-for-purpose commercial trading company that can respond swiftly and effectively when the need arises.
- 3.5 S80 have limited working capital to significantly boost the capacity of the company and have requested members to consider a loan from the Council of £200,000. As shown in the table below, the loan will cover the salary costs of two full-time posts – a Managing Director and an Operational Support Officer plus the overheads. The principal and interest element of the loan will be repaid in full within 5 years (full details of the funding request are contained in Appendix A).

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Salary costs	99,060	99,060	99,060	99,060	99,060	495,300
Overheads	26,800	22,200	22,200	26,200	22,200	119,600
Loan - Principal	0	0	20,000	80,000	100,000	200,000
Loan - Interest	10,000	10,000	9,500	7,000	2,500	39,000
Council Loan	(200,000)	0	0	0	0	(200,000)
Target Income from trading	0	(67,120)	(150,760)	(212,260)	(223,760)	(653,900)
Cash (inflow)/Outflow	(64,140)	64,140	0	0	0	0
Cumulative	(64,140)	0	0	0	0	0

- 3.6 As noted above, there has been steady annual growth over the last three years in the S80 Partnership. The turnover (sales) for the partnership is forecast to increase from £120k to over £150k over the three-year period to March 2023 (an average annual growth of in excess of 10%). Similar growth over the next five years will see turnover increased to around £250k by March 2028 (Year 5) based on current activity levels. The new posts, noted above, will seek to attract additional income to the partnership from further trading opportunities. The turnover from existing trading units alongside a prudent estimate of growth in new trading / commercial activity will mean that there should be sufficient funds available to repay the loan in five years' time. Further, appropriate governance arrangements, following guidance from CIPFA and Local Partnerships (a joint venture between the Local Government Association, HM Treasury and the Welsh Government), is progressing to ensure sufficient scrutiny of the financial position and operational activities. A report on progress was presented to Audit and Risk Scrutiny Committee in November 2022.

4. Implications

a) For service users

With a dedicated resource, the S80 Company will be able to respond quicker and more effectively to any commercial opportunities that may arise.

b) Strategic & Policy

As a fully owned company, the Council through its role as shareholder will be able to help steer S80 towards achieving the Council's strategic aims and objectives.

c) Financial - Ref: 24/605

The financial implications are contained in the report and the attached appendix.

No additional insurance costs have been included as the Council's current policies are worded for to include any Council subsidiary companies. The costs of the posts will be at a single salary point, this is common in the private sector.

d) Legal – Ref: 050/07/2023

There are no legal implications

e) Human Resources

The S80 Board have requested the support of the Council's HR team for the recruitment process and the appointment to the vacant posts. The Council's HR policies and procedures will be followed in managing the recommendations in this report.

f) Climate change, Environmental

None directly from this report

g) Community Safety, Equality and Diversity

None

h) GDPR

The S80 employees will be using some Council IT systems, which will require a data sharing agreement between the Council and S80.

i) This is key decision **999**.

5. Options, Risks and Reasons for Recommendations

5.1 The options considered for the bid are as follows:

The purpose of the loan is to allow S80 to develop and engage in commercial activities, which the Council cannot do under current legislation. Without any investment, it is unlikely that S80 would be able to grow and provide the Council with an effective commercial entity.

Under existing arrangements, S80 draws on the Council's resources under a Service Level Agreement. There is an option to extend this agreement to include additional Council resources, which would be recharged to S80. However, it is unlikely that the Council has all the necessary commercial skills and experience that are needed by S80.

6. Recommendations

Cabinet recommend the following to full Council on 21st September 2023:

Members approve that the Council provide a loan facility to S80 Partnership Ltd of £200,000 to be repaid within 5 years.

Background Papers

Location