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| CABINET | AGENDA ITEM No. 6 |
| 8 NOVEMBER 2010 | PUBLIC REPORT |

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| Cabinet Member(s) responsible: | Cllr Cereste, Leader of the Council | |
| Contact Officer(s): | John Harrison, Executive Director- Strategic Resources | Tel. 01733 452398 |

THE FUTURE OF WESTCOMBE ENGINEERING

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| R E C O M M E N D A T I O N S | |
| FROM : John Harrison, Executive Director of Strategic Resources | Deadline date : None |
| <p>1. Cabinet is requested to overturn its previous decision in 2007 to close Westcombe Engineering and to retain it as part of the Council.</p> | |

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following a referral from Cllr Cereste, Leader of the Council, and John Harrison, Executive Director of Strategic Resources.

2. PURPOSE AND REASON FOR REPORT

2.1 Cabinet considered this matter on 3 September 2007 and decided to accept a recommendation to close Westcombe Engineering. The reasons given were that the current employment model provided by Westcombe Engineering was inappropriate to best meet the needs of the workforce of the operation and restricted their life opportunities.

2.2 On 14 November 2007 a special meeting of Council was called to discuss the implications of the closure of Westcombe Engineering, and more broadly, what was the Council's policy for disabled employees. At the end of the debate a motion was put, that 'The Council asks that the decision relating to the proposed closure of Westcombe Engineering be referred back to Cabinet for re-consideration'. The motion was not carried.

2.3 Earlier on the same day of that Council meeting the then Leader of the Council, Cllr John Peach, signed a Cabinet Member Decision Notice (CMDN) stating that "in the light of Cabinet having been approached with an initial business proposal for Westcombe Engineering, the previous decision of Cabinet be put in abeyance, and that the Council enters into negotiations for the potential transfer of the business to a social enterprise delivery vehicle".

2.4 Protracted negotiations then took place, but eventually it was not possible to transfer the business to the social enterprise delivery vehicle, and Westcombe Engineering came back into the control of the Council in February 2009.

2.5 The Cabinet now needs to determine the future of Westcombe Engineering.

2.6 This report is for Cabinet to consider under its Terms of Reference No. 3.2.3, "To take a leading role in promoting the economic, environmental and social well-being of the area".

3. **TIMESCALE**

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| Is this a Major Policy Item/Statutory Plan? | NO |
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4. **THE FUTURE OF WESTCOMBE ENGINEERING**

- 4.1 The history of this matter is set out at paragraph 2 above.
- 4.2 Since Westcombe Engineering came back into Council control, a number of improvements have been made. An interim manager was appointed in July 2009 with the brief to turn the business around or, if that proved impossible, to prepare it for closure.
- 4.3 A great deal of work has been done into reshaping the business, including introducing efficiencies and price reviews that were long overdue. As a result trading figures have shown a marked improvement. Perkins were involved in the process, and this led to them having renewed confidence in the business, which they demonstrated by nominating Westcombe Engineering for a supplier award for achieving a 100% record in terms of quality and deliveries.
- 4.4 The business is to be congratulated for its fantastic achievement, in a relatively short period of time. In recognition of the positive changes and the award received from Perkins, Westcombe Engineering was recently given an Excellence Award by the Chief Executive.
- 4.5 The improvements in Westcombe Engineering have been so impressive that it now has the support of its major customer, Perkins, and a viable future.
- 4.6 As a result of the improvements that have been made, Westcombe Engineering is a viable business and as a result of improvements made it is a more suitable environment for its largely disabled workforce.
- 4.7 In all the circumstances it is intended that Westcombe Engineering will not be closed, and will remain part of the Council for the foreseeable future.

5. **CONSULTATION**

- 5.1 The workforce, and Westcombe Engineering's major supplier, Perkins, have been consulted about the intention to retain it as part of the Council.

6. **ANTICIPATED OUTCOMES**

- 6.1 It is intended that Westcombe Engineering will remain part of the Council for the foreseeable future. It is intended that a general manager will be recruited if Cabinet agrees this recommendation.

7. **REASONS FOR RECOMMENDATIONS**

- 7.1 The current position needs to be regularised, as there is still an existing executive decision to close Westcombe Engineering, which needs to be overturned if the business is to remain open.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Close Westcombe Engineering: this is not now considered to be appropriate. It is a viable business, and an important link in the supply chain of Perkins, a significant local business.
- 8.2 Transfer Westcome Engineering to another owner: attempts to do this have failed.
- 8.3 Retain status quo: this decision is effectively retaining the status quo, but needs to be formalised as the current Cabinet Member Decision Notice of 14.11.07 only places in abeyance the earlier decision to close Westcombe Engineering.

9. IMPLICATIONS

- 9.1 There are no specific legal implications except as dealt with in the body of the report. It is not necessary to take any action in respect of the employees, as they have remained employed by the Council throughout.

Financial implications:

- 9.2 The business plan for Westcombe Engineering shows a sustainable, viable trading position with no subsidy requirement from the Council from 2011/12, with potentially a marginal surplus. This improvement in the trading position is offset to some extent in 2010/11 by the additional costs of management intervention in achieving the turnaround, and the timescale necessary to achieve the benefits of the revenue developments. The forecast for 2010/11 based on the information currently available is a net cost of £120,000, (net cost to date is £137,000 and this is expected to improve in the final outturn). This is factored into the overall budgetary control position. Early indications are that the revised operating model is performing to expectations, and this will continue to be closely monitored

10. BACKGROUND DOCUMENTS

Cabinet decision 3 September 2007
Cabinet Member decision notice 14 November 2007
Council minutes 14 November 2007

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