

EAST CAMBRIDGESHIRE DISTRICT COUNCIL OWNED LOCAL AUTHORITY TRADING COMPANY (LATC)

Committee: Commercial Services Committee

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Author: Chief Executive

[P200]

1.0 ISSUE

1.1 The establishment of an East Cambridgeshire District Council wholly owned Local Authority Trading Company (LATC).

2.0 RECOMMENDATIONS

2.1 Members are requested to:-

- (i) agree, in principle, the establishment of a LATC as outlined below;
- (ii) instruct the Chief Executive to bring forward detailed proposals to full Council, specifically:-
 - key objectives of the LATC
 - business plan to inform the financial profile of the LATC and implications on the Council
 - the governance arrangements for the LATC
 - the provision of support services.

3.0 BACKGROUND

3.1 The Local Government Act 2003 restricts local authorities from making a profit from its services, although they are able to offset on costs. The Localism Act 2011 enabled local authorities to undertake activities to make a profit but only if delivered within a company (unless there is another legitimate power under the Council can operate).

3.2 Commercialisation is a key part of the Council's transformation agenda to meet the future budget challenges beyond 2016/17.

4.0 ARGUMENTS

4.1 The Council is legally able to establish a wholly owned trading company where the Council retains full control over the direction of the LATC, and manages its risks and receives the benefits in full. The Council will be the sole shareholder.

4.2 Initially, the purpose of the company (once established) would be to enable the Council to act as the developer in the commercial development of Council owned sites. The advantages of acting as direct developers are specifically:-

- significantly higher receipt from the sale of land assets;

- greater likelihood of being able to work in partnership with local builder;
- greater control over the design and eventual delivery of the housing development.

This approach is not without its risks, which will need to be assessed in the light of the volatility of the market and the size of the development.

4.3 Once the company has been established, this enables the Council to utilise the entity for other activities and realising other benefits, for example:-

- ability to charge the company for the provision of support services;
- the differential between the borrowing costs and lending terms;
- ability to receive payment as dividend, which could be utilised as a revenue contribution (if required);
- opportunities for other activities, for example, the provision of affordable CLT homes, commercial activities to provide services to the Council and outside of the Council area.

4.4 If Members agree the principle of establishing a LATC, the Chief Executive will develop proposals to be approved by Full Council as outlined in paragraph 2.1(ii).

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT (EIA)

5.1 The Chief Executive will develop a business plan setting the vision, objectives and financial profile of the LATC with support from EELGA (under the existing interim finance arrangements).

5.2 The financial implications of establishing a LATC as a development arm are significant and will need to be quantified prior to the formal establishment of the LATC by Council. They will need to take into account the following issues, specifically in relation to commercial land development:-

- the mechanism, timing and the value of any land transfer to the LATC;
- the value and terms of the loan from the Council to the LATC to enable the development to go ahead and the operation of the company;
- impact of any arrangements for the Council's Treasury Management Strategy and the Medium Term Financial Strategy.

The Council will have to agree the LATC governance arrangements and business plan before any capital funding is released.

5.3 There are no requirements for an EIA at this stage.

6.0 APPENDICES

6.1 None.

Background Documents

None

Location

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