



LOCAL AUTHORITY TRADING COMPANY

OVERALL BUSINESS PLAN

NOVEMBER 2017

MISSION STATEMENT

The Local Authority Trading Company (LATC) will:

- Provide high-quality services to all its customers,
- Work with our customers to create services that are needed and fit-for-purpose,
- Develop innovative models that champion quality, and
- Inspire staff to do the best work of their lives

We believe that by developing the services that we offer we will be able to create services that are sustainable, flexible and focused on meeting the needs of local people and businesses in East Cambridgeshire.

We believe that establishing our brand in East Cambridgeshire will put us in good standing and enable us to offer our high-quality services beyond the boundaries of East Cambridgeshire.

VISION

We believe in improving the quality of life of the taxpayer of East Cambridgeshire and we believe in the Council's objectives that are set out in the Corporate Plan 2017-2019. The LATC will support the Council in achieving these objectives.

VALUES

Strategic Objectives

- To deliver unrivalled, high quality services,
- To trade in a manner that, wherever possible, acts in the best interest of Council, and
- Build a brand and reputation we can be proud of

CONTENTS PAGE

1. EXECUTIVE SUMMARY

- 1.1 Purpose
- 1.2 Driver for establishing the LATC
- 1.3 Benefits of the LATC
- 1.4 Income and Expenditure of the LATC

2. INTRODUCTION

- 2.1 Background
- 2.2 Strategic Fit
- 2.3 Commercial Services
 - 2.3.1 Waste, & Recycling Service

3. PROCESS

- 3.1 Property and Assets
 - 3.1.1 Waste & Recycling Service
- 3.2 Intellectual Property
- 3.3 Policies and Procedures
- 3.4 Information Sharing
- 3.5 Data Protection
- 3.6 Freedom of Information

4. GOVERNANCE AND MANAGEMENT

- 4.1 Structure
 - 4.1.1 LATC Board of Directors
 - 4.1.2 LATC Managing Director
 - 4.1.3 Management of the Waste & Recycling Service
 - 4.1.4 Shareholder Committee

5. FINANCIAL

- 5.1 Methodology
- 5.2 Financial Assumptions
- 5.3 How will the LATC be Funded?

6. SWOT AND RISK MANAGEMENT PLAN

- 6.1 SWOT
- 6.2 Risk Management Plan

APPENDICES

APPENDIX 1: Corporate Plan 2017-2019

APPENDIX 2: Shareholder Agreement

1. EXECUTIVE SUMMARY

1.1 Purpose

This Business Plan is designed to provide an overview and detail of the:

- Benefits and advantages of a LATC,
- Governance structure of the LATC,
- Financial overview of the LATC's forecast performance,
- Board and management structures, and
- Strengths, Weaknesses, Opportunities and Threats.

The LATC will be a LATC Limited by shares and East Cambridgeshire District Council (ECDC) will be the sole shareholders. Initially the LATC will be established to manage and operate the Council's Waste & Recycling Service and maximise services that benefit from the LATC Teckal status.

1.2 Drivers for Establishing the LATC

There are two main drivers for establishing a LATC:

- To meet the objectives of the Medium Term Financial Strategy, and
- To meet the objectives of the Corporate Plan 2017-2019

1.3 Benefits of the LATC

The LATC is a key part of achieving the aims of both the MTFS and the Corporate Plan. Establishing a LATC will provide the Council with a vehicle to:

- Operate the Council's Waste & Recycling Service,
- Procure, wherever possible, goods and services locally, and
- Win contracts, that require a Teckal company, both inside and outside the District

1.4 Income and Expenditure of the LATC

The table below provides an indicative summary of income and expenditure for the first three years of trading

	2018/19	2019/20	2020/21
Income			
Waste & Recycling	2,547,831	2,611,526	2,676,814
Expenditure			
Corporate	10,500	10,762	11,031
Waste & Recycling	2,481,932	2,543,980	2,607,579
Expenditure Total	2,492,432	2,554,742	2,618,610
{Surplus*}/{Loss}	{55,399}	{56,784}	{58,204}

*Profit will be subject to corporation tax

2. INTRODUCTION

2.1 Background

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 enables local authorities to undertake activities to make a profit but only if delivered within a company.

A LATC is a company established by the local authority in order to offer its services on a commercial basis. Local authorities can establish LATCs through the powers in Section 95 of the Local Government Act 2003, and the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009.

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.

This Business Plan sets out the plans for and benefits of East Cambridgeshire District Council's (ECDC) establishment of a Local Authority Trading Company.

2.2 Strategic Fit

The Council's Medium Term Financial Strategy has an overall objective of achieving self-sufficiency from Revenue Support Grant by 2020.

In October 2017 the Council adopted the Corporate Plan 2017-2019 (Appendix 1). The Corporate Plan contains six key aims and each aim has promises, commitments and actions.

(1)	Delivering a financially sound and well managed Council
(2)	Genuinely affordable housing
(3)	A fantastic place to live
(4)	Improving local transport
(5)	Improving infrastructure
(6)	New jobs and funding

The LATC is a key part of achieving the aims of both the MTFs and the Corporate Plan. The LATC will provide the Council with the ability to do things it does not currently do, for example, deliver a Waste & Recycling Service to the community of East Cambridgeshire.

2.3 Waste & Recycling Service

The Council currently delivers waste collection and cleansing services through a contract with Veolia.

The Council approved the transfer of the Waste & Recycling Service to an LATC that outlines the key drivers for transferring the Waste & Recycling Service to a LATC on 23 February 2017 (Agenda Item 9 (Exempt)). This report is designed to act as an outline business case for both ECDC and the LATC*.

The Council's Regulatory Services Committee received a progress update report at its meeting on 6 November 2017 (Agenda Item 10).

Together these reports and updates form the foundations of this business plan. A full detailed business plan will be presented to both the LATC and Council in January and February 2018 (respectively) for final agreement.

*The Council decision was to award the contract to ECTC, however, due to the need to transfer the Waste & Recycling Service to a Teckal Company, the Council will make provision for this resolution to apply to the LATC in this business case.

3. PROCESS

ECDC will provide support services to the LATC through Service Level Agreements (SLAs).

The LATC will negotiate individual SLAs with each relevant ECDC support service to reflect the needs of the LATC as a whole. Each SLA will include measurable performance indicators, break clauses and remedies for non-performance.

There will be an annual review process whereby SLAs are refined to more accurately reflect the support required by the LATC.

Support Services include:

- HR support, including recruitment and training,
- Payroll,
- Finance- transactional finance functions and financial controller activities,
- IT- Provision of IT equipment and service (including helpdesk support),
- Customer Services- Phone answering service and taking telephone payments,
- Insurance provision (buildings, vehicles, employers and public liability)
- Legal support, as and when required.

3.1 Property and Assets

The Head Office of the LATC will be The Grange, Nutholt Lane, Ely, Cambridgeshire, CB7 4EE, or such other alternative premises as may be agreed between the Council and the LATC.

3.1.1 Waste & Recycling Service

The service currently occupies The Grange, Ely and the Depot at Portley Hill, Littleport and will continue to do so. A reasonable annual rent will be charged to the LATC.

IT assets will be purchased/leased from ECDC as part of the SLA when it starts trading.

Vehicles and equipment will be purchased/leased from ECDC as part of the SLA when it starts trading.

3.2 Intellectual property

Intellectual property will be purchased from ECDC at a nominal value when the LATC starts trading.

3.3 Policies and Procedures

The LATC will use all relevant ECDC policies and procedures, save for procurement, in the first instance, but will review and refine these over time to ensure they are fit-for-purpose and meet the needs of the service.

3.4 Information Sharing

An information sharing protocol will be developed once the LATC is trading.

3.5 Data Protection

The LATC will comply with the relevant legislation and guidance concerning Data Protection, including adopting suitable policies and procedures to ensure data is adequately safeguarded.

3.6 Freedom of Information

The LATC will be subject to requests for the disclosure of information under the Freedom of Information Act 2000 in its own right. As such, the LATC will maintain a record management system that complies with the relevant guidance concerning the maintenance and management of records.

The LATC will liaise with ECDC as appropriate to ensure consistency in answering FOI requests and provide such information to ECDC as it may require to answer requests it has received.

4. GOVERNANCE AND MANAGEMENT

This business plan will be delivered in full compliance with the governance requirements set out by ECDC. The LATC will seek to maintain and enhance ECDC's reputation for high standards.

The LATC will establish and maintain an effective service and financial performance management reporting system which will include effective reports to the LATC Board and the ECDC Shareholder Committee.

The LATC will be subject to any audit and inspection requirements of the Council.

This business plan provides for sufficient support and leadership from a Managing Director, Directors and an Independent Chairman. Additional support will be provided by Finance, HR, Legal and ICT.

4.1 Structure

The LATC Board of Directors shall comprise:

- The Independent Chairman,
- 2 ECDC Elected Members; the Leader of Council and the Deputy Leader of Council; and
- 2 ECDC Senior Officers; the Chief Executive and the Director Operations

The quorum for board meetings shall be three.

At board meetings each director shall have one vote.

Board meeting shall be held at least quarterly on such dates as they may agree (if there is failure to reach an agreement the Chairman shall make the decision).

An agenda for the meeting will be prepared and distributed not less than 5 business days prior to the meeting.

Except where the information is commercially sensitive, minutes of Board meetings will be provided to the Shareholder Committee for noting.

4.1.2 LATC Managing Director and Company Secretary

The Managing Director of the LATC shall be the Chief Executive of ECDC. The Managing Director will act as the key conduit between the LATC and the Council and shall have overall responsibility for ensuring compliance with the Shareholder Agreement.

The Company Secretary of the LATC shall be the Director Commercial.

Full details of the Board of Directors and the Managing Director are provided in the Shareholder Agreement at Appendix 2.

4.1.3 Management of the Waste & Recycling Service

The service will be managed by ECDC's Director Operations.

4.1.4 Shareholder Committee

The Shareholder Committee will be the Council's current Shareholder Committee.

Elected Members who are appointed as LATC board directors cannot be full members or substitutes of the Shareholder Committee.

The role of the Shareholder Committee will not be operational. The Shareholder Committee shall not have powers to make decisions on behalf of the Council or the LATC. It shall:

- Recommend, where relevant, the appointment of the Chairman of the Board and approve best practice policies in relation to such an appointment
- Recommend, where relevant, the constitution of the Board of Directors,
- Receive, review and recommend the business plans and each annual business plan,
- Review the financial performance of the LATC, and
- Make recommendations to Council on how it should exercise the functions flowing from its ownership of shares

The Shareholder Committee shall meet at least quarterly to consider and review the matters identified above and where necessary call extraordinary meetings to accommodate the business identified above.

The Board will send a report at least twice a year to each member of the Shareholder Committee to conduct an effective review.

Details of the role of the Shareholder Committee are provided in the Shareholder Agreement provided at Appendix 2.

5. FINANCIAL

5.1 Methodology

The projected income and expenditure set out below is a consolidation of the financial information provided in the previously approved reports and the Council's budget.

There is potential for additional income and expenditure through the business, for example, grounds maintenance works that the LATC can benefit from due its Teckal status. This has not been included in this business plan as the figures would be purely speculative.

5.2 Financial Assumptions

The table below provides an indicative summary of income and expenditure for the first three years of trading.

	2018/19	2019/20	2020/21
Income			
Waste & Recycling	2,547,831	2,611,526	2,676,814
Expenditure			
Corporate	10,500	10,762	11,031
Waste & Recycling	2,481,932	2,543,980	2,607,579
Expenditure Total	2,492,432	2,554,742	2,618,610
{Surplus*}/{(Loss)}	{55,399}	{56,784}	{58,204}

A full business case will be approved by the Council and the LATC in January/February 2018 (respectively).

The general costs of the LATC highlighted in the table above relate to the Independent Chairman's remuneration, external audit fees and bank charges.

Please note that the role of Managing Director and Director shall be held by the Chief Executive and Director Operations of ECDC respectively. There is no remuneration proposed to the Chief Executive or the Director Operations directly, the Council will charge the LATC for the Chief Executive and Director Operations time spent in operating their functions in the LATC.

5.3 How Will the LATC Be Funded?

ECDC will pay the Waste & Recycling management fee to the LATC quarterly, in advance. This management fee, together with the Recycling Credits will provide sufficient cash flow for the LATC to operate the Waste & Recycling Service and the LATC General Costs.

There is no loan facility required to operate the LATC.

6. SWOT AND RISK MANAGEMENT PLAN

6.1 SWOT Analysis

Strengths <ul style="list-style-type: none">- The LATC will be able to maximise on the Council's good reputation for customers service excellence and reputation for delivery- The LATC will be able to assist ECDC in its corporate objectives	Weaknesses <ul style="list-style-type: none">- In the initial period of operation there is limited opportunity to increase income
Opportunities <ul style="list-style-type: none">- In the future the LATC will be able to deliver services beyond the boundary of East Cambridgeshire	Threats <ul style="list-style-type: none">- Other companies (and some local authorities) in (or moving in to) the market

6.2 RISK MANAGEMENT PLAN

RISK MANAGEMENT PLAN

The Localism Act requires a Council to include a risk assessment as part of the business plan for the establishment of a LATC.

In order to properly assess the risks associated with establishing a new company a high level PESTLE Analysis, Five Forces Analysis, Force Field Analysis and SWOT Analysis have been prepared to inform the Risk Management Plan.

PESTLE Analysis

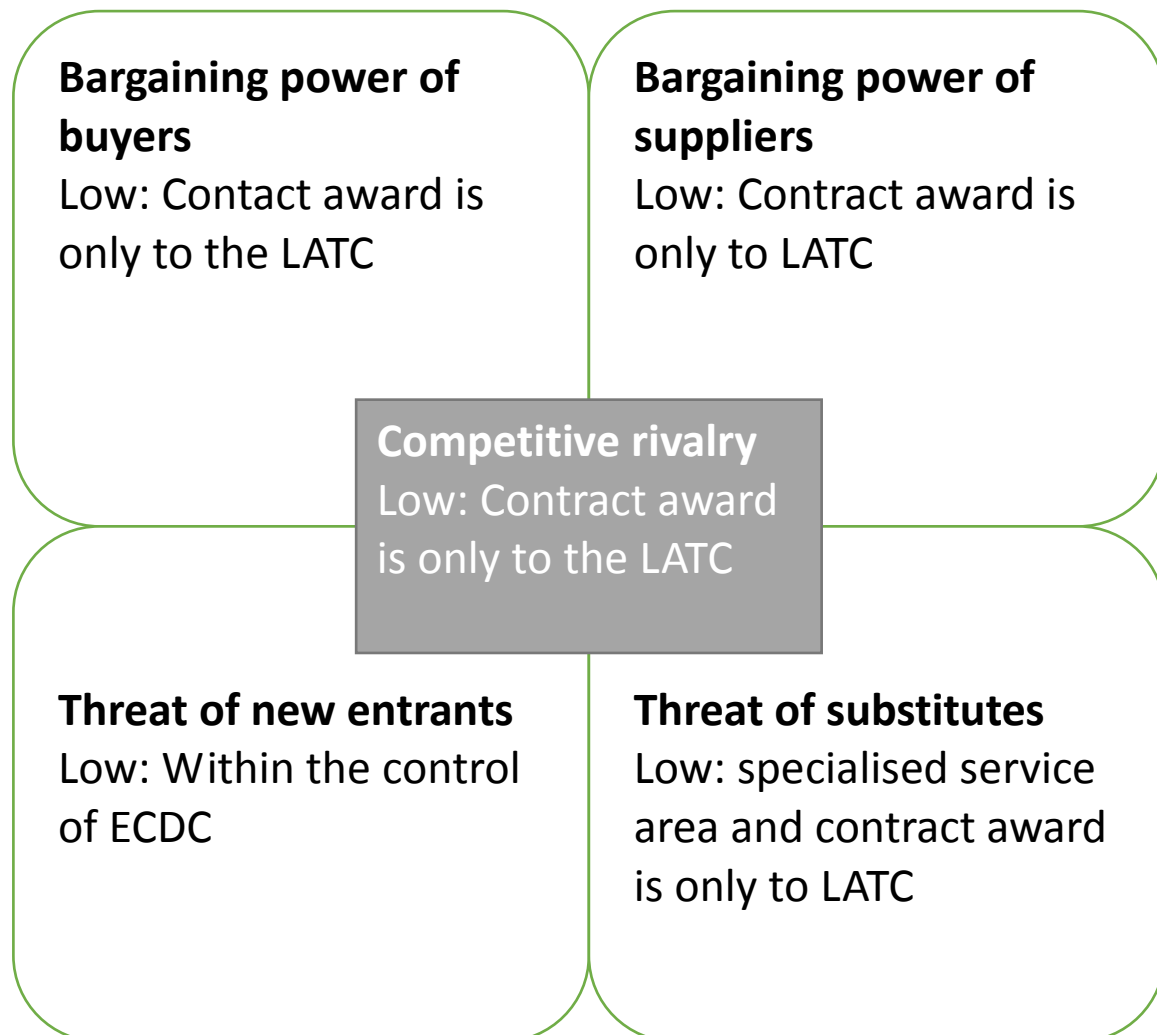
The PESTLE is a high level analysis that examines the external environment and identifies the Political, Economic, Social, Technological, Legal and Environmental factors that could impact the LATC.

Political <ul style="list-style-type: none">- Funding- Changes in political priorities	Economic <ul style="list-style-type: none">- Taxation- Market and trade cycles- Council budgets- <u>Pensions</u>
Social <ul style="list-style-type: none">- Consumer choice	Technological <ul style="list-style-type: none">- Waste & Recycling infrastructure
Legal <ul style="list-style-type: none">- Changes to the Localism Act- Environmental legislation and targets- <u>Sustainability</u> (see environmental)- <u>Teckal</u>	Environmental <ul style="list-style-type: none">- Climate change- Weather conditions

Individual business plans should always have regard to these external factors which could affect the ability to deliver the service.

Five Forces Analysis

A Five Forces Analysis looks at the factors which may undermine the LATC in its consideration to enter the market.



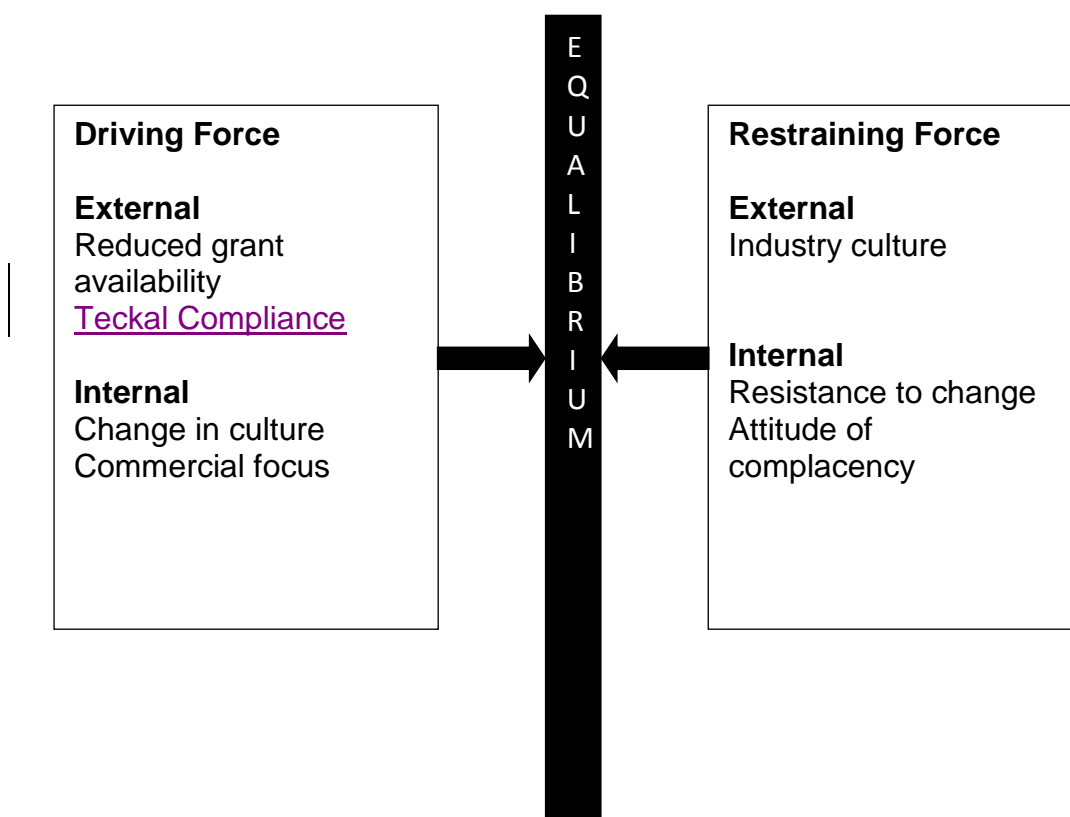
This high level analysis does not raise any major concerns which would deter the LATC from entering the competitive market to delivery services.

Force Field Analysis

The force field analysis identifies the reasons for the change.

The Council's Medium Term Financial Strategy (MTFS) has an overall objective of achieving self-sufficiency from Revenue Support Grant by 2020.

In October 2017 the Council adopted the Corporate Plan 2017-2019. The Corporate Plan contains six key aims and each aim has objectives, priorities and promises.



RISK MANAGEMENT PLAN

The table below identifies the strategic risks associated with the LATC and provides an outline of how each risk will be managed. Please note that the list provided below is not exhaustive and will be reviewed on a regular basis.

Legislative/Policy				
Identified Risk	Management of Risk	Risk Score		Risk Owner
Changes in legislation which could place restrictions on the Council's powers to trade in a commercial manner.	<p>This is outside the control of the Council and the LATC. Going forward this will need to be monitored.</p> <p>Continuous monitoring of changes to legislation through liaison with MP's, ebulletins, consultations, LGA KnowledgeHub and other publications.</p> <p>Any significant changes in legislation which realise this risk should be addressed immediately by the Managing Director to Full Council.</p> <p>An amended Business Plan or Exit Strategy will need to be approved by Full Council.</p>	<p>Likelihood Impact Risk</p>	<p>42 55 105</p>	Managing Director
Governance				
Inadequate governance arrangements and lack of clarity on roles of the Council and the LATC could lead to poor decision making which could undermine the operation of the LATC	<p>The Shareholder Agreement sets out the role of the Council and the role of the LATC (in particular matters reserved only for Council) and provides for governance of the LATC and the scrutiny arrangements through the Shareholder Committee.</p> <p>The Council and the LATC will monitor the practicalities of the Shareholder Agreement to ensure that it is fit-for-purpose. Any necessary changes will be brought to the attention of Full Council.</p> <p>Any changes to the Shareholder Agreement will need to be</p>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Managing Director</p> <p>Director Operations</p>

	approved by Full Council. The Managing Director will provide a report to Full Council detailing the proposed changes and why these changes would be necessary.			
As the LATC is wholly owned by the Council, the LATC will be subject to the controls and decision making process for matters that lay outside of the Business Plan. The speed of the decision making process may have an impact on the LATC's ability to operate effectively.	The Shareholder Agreement sets out the decision making abilities of the LATC and the Council. The Shareholder Agreement provides for the ability of extraordinary meetings of the Shareholder Committee to be called to consider urgent business and make recommendations to Full Council. In accordance with the Council's Constitution a Full Council meeting can be convened to deal with any urgent business.	Likelihood Impact Risk	3 4 12	Managing Director
Economic				
Changes in taxation and inflation could have an impact on the viability and profitability of the LATC.	At present changes in taxation is not a known risk, however, the LATC should have regard to the impact of any such changes. The Section 151 Officer and Director Operations will monitor changes and factor any changes in the business planning process.	Likelihood Impact Risk	1 3 3	Section 151 Officer Director Operations
In order to prosper cash flow for the LATC will be essential. Insufficient cash flow will result in the LATC being constrained in realising the objectives of the Business Plan.	The LATC shall through the annual review of the Business Plan ensure that sufficient provision is made to provide cash flow to achieve the aims of the Business Plan. Should opportunities arise that are outside of the scope of the Business Plan the LATC shall liaise with the Council and prepare a revised Business Plan, at the earliest opportunity, which will include identifying loan funding (to be approved by Full Council)	Likelihood Impact Risk	3 4 12	Managing Director, LATC Director Operations

	that would enable commercial opportunities to be realised.			
Operational				
<p>The LATC will benefit from the Teckal Exemption so long as the 80/20 balance is maintained.</p> <p>Not keeping this balance will mean that services cannot be freely transferred to the LATC and will undermine the activities of other business areas.</p>	<p>When bidding for contracts that are outside of the boundaries of the Council's administrative area, the Director Commercial shall have regard to the control and function test of the Teckal Exemption.</p> <p>The balance of Teckal shall be reviewed and reported to the Shareholder Committee on a quarterly basis.</p> <p>In any event the balance of Teckal shall be reviewed prior to entering into any contract for Commercial Services that falls outside of the Council's administrative area.</p> <p><u>The LATC income in the first year of trading is estimated at £2.5m; all of which is Teckal compliant. The likelihood of not being able to maintain compliance is low; this risk should be kept under regular review and the impact assessed and any issues brought to the attention of the Council as soon as practicably possible.</u></p>	<p>Likelihood Impact Risk</p>	<p>2 2 4</p>	<p>Director Commercial</p>
<p>Change and upheaval can, if not managed properly, impact on the quality of service delivery during a period of transition and post-change establishment.</p>	<p>The level of resources required will be identified in the individual business plan.</p> <p>The Council shall provide sufficient resources (costs of which are recoverable from the LATC) to support the LATC until such time it is established.</p>	<p>Likelihood Impact Risk</p>	<p>1 3 3</p>	<p>Managing Director, LATC</p> <p>Director Operations</p>
<p>Not maintaining the services currently offered by the Council could lead to reputational damage for the Council.</p>	<p>The LATC will enter into a Memorandum of Agreement with the Council which will set out the minimum requirements for service delivery.</p>	<p>Likelihood Impact Risk</p>	<p>1 3 3</p>	<p>Director Operations</p>

	The Director Operations shall oversee the performance of this agreement and report, where necessary, concerns to the Shareholder Committee and make recommendations as to the course of action that is required.			
--	--	--	--	--

Individual risk management plans will be developed in individual business cases and shall have regard to these corporate risks.