

Establishing a Local Authority Trading Company (LATC) is a relatively new concept for Local Authorities. 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 that seeks to deliver Commercial Services and Property and CLT Development. 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.

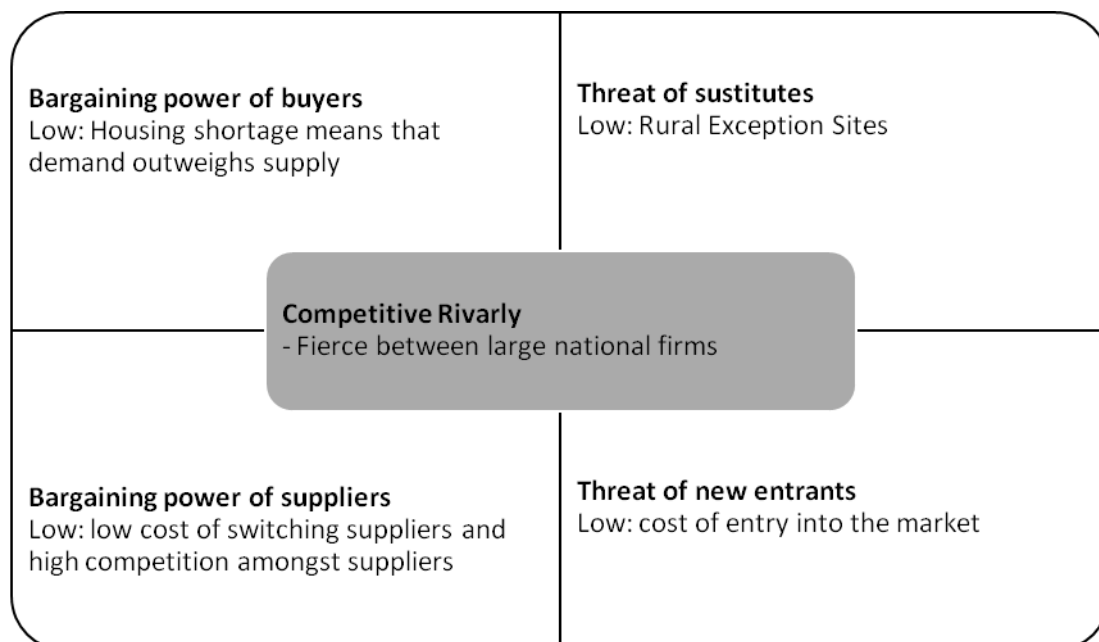
<p>Political</p> <ul style="list-style-type: none"> - Reform of the planning and housing legislation - Economic growth - Need to deliver more housing - Funding - Changes in political priorities 	<p>Economic</p> <ul style="list-style-type: none"> - Investment and mortgage finance constraints - Status of the housing market - Interest rates - Taxation - Market and trade cycles
<p>Social</p> <ul style="list-style-type: none"> - Demand for home ownership - Housing shortage - Consumer choice 	<p>Technological</p> <ul style="list-style-type: none"> - Energy infrastructure - Intellectual property - Innovation in construction
<p>Legal</p> <ul style="list-style-type: none"> - Reform in the planning system - Changes to the Localism Act - Banking legislation- impact on lending - Environmental legislation and targets - Sustainability (see environmental) 	<p>Environmental</p> <ul style="list-style-type: none"> - Sustainable building requirements - Climate change - Weather conditions

The biggest impact on the LATC will be felt from fluctuation in the housing market. It will be a priority of the LATC to monitor trends in the housing market during its business planning process to ensure that developments respond to the requirements of the local housing market.

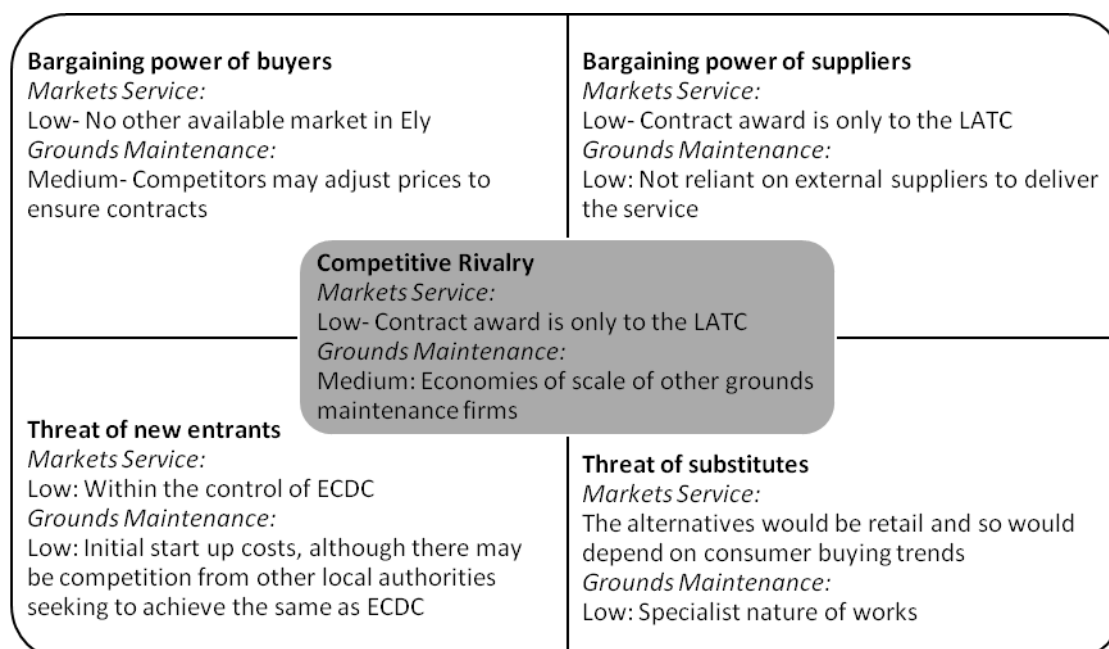
Five Forces Analysis

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

Five Forces Analysis for Property and CLT Division



Five Forces Analysis of Commercial Services Division



This high level analysis does not raise any major concerns which would deter the LATC from entering the competitive market to deliver commercial services and property development.

SWOT Analysis

A SWOT Analysis examines the Strengths, Weaknesses, Opportunities and Threats that would impact the LATC.

STRENGTHS	OPPORTUNITIES
<p>LATC General</p> <ul style="list-style-type: none"> - Reputation - Local market knowledge - Assists Council with delivering the aims of the MTFS - Assists the Council with delivering its corporate objectives <p>Commercial Services</p> <ul style="list-style-type: none"> - Profit making enterprise - Reputation- established 'Ely Markets' brand - Established team with skills and expertise - Diverse offer of goods across all markets - Trader loyalty - Wide customer base - 200 small business already on the list - Good trading post - Established community hub - Unique craft market, FARMA accreditation for Farmers Market 	<p>LATC General</p> <ul style="list-style-type: none"> - Benefits from reform of planning system - Cost reduction via rationalisation of structure - Ability to act as developer of land - Assists the Council with accelerating the delivery of CLT development - Support the culture change across ECDC to a more commercial approach <p>Commercial Services</p> <ul style="list-style-type: none"> - Increase capacity- more pitches/stalls with better facilities - Increase frequency - Expansion - Increase provision of stalls - Own 'Ely Markets' identity and increase partnership working with City Centre Forum - Increase celebration of achievement to build business reputation - Small business support for new traders - Increase marketing to make people more aware of Ely Markets - Make more use of national campaigns/organisations - Work in partnership with event organisers to ensure mutual benefit - New website - New software
<p>Property and CLT Division</p> <ul style="list-style-type: none"> - Reputation - Strong connections with communities, Parish Councils - Specialist commercial expertise with professionals that can drive mainstream property development and CLT development - Existing expertise available to provide early stage support - Immediate access to Council portfolio of 	<p>Property and CLT Division</p> <ul style="list-style-type: none"> - High demand for new housing at all levels of the market and low level of current supply so investment risk is reduced - Few local competitors producing design-led, high quality property will make the LATC the developer of choice for landowners and communities - Growing local interest in CLTs sparked by projects in Stretham and Swaffham

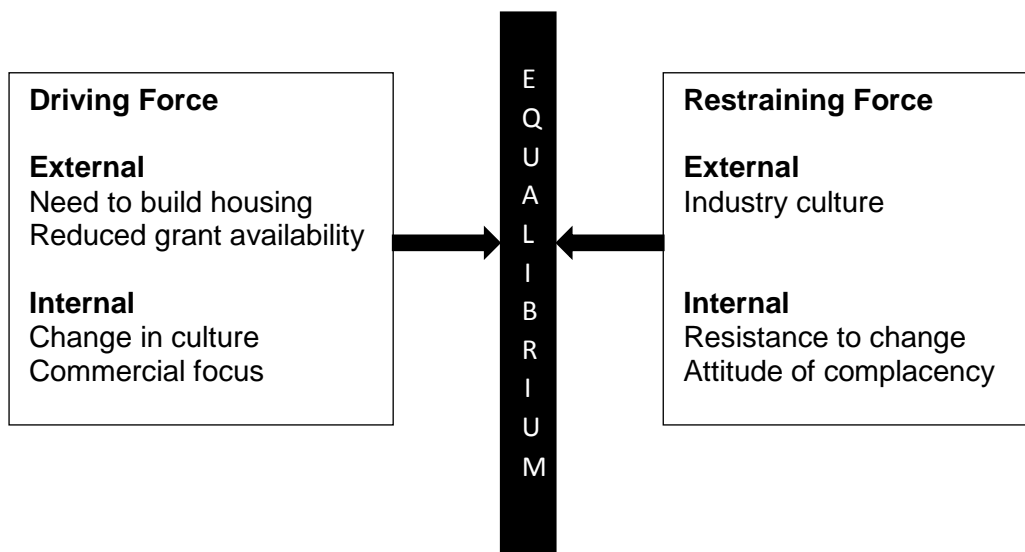
<p>land and property with potential to create a strong pipeline of future development projects</p>	<p>Prior will create new market opportunities</p> <ul style="list-style-type: none"> - Most other commercial developers are reluctant to engage in CLT development as they perceive it as difficult and time consuming
<p>WEAKNESSES</p> <p>LATC General</p> <ul style="list-style-type: none"> - Culture of complacency - Lack of experience in a commercial environment - Resistance to change - Speed of decisions <p>Commercial Services</p> <ul style="list-style-type: none"> - Poor support systems; excel spreadsheets and paper files - Market Place restrictions - Weather - Economy; less investment and fewer customers - Not enough marketing - Events take away business from traders - Lack of investment in resources; website, systems and marketing <p>Property and CLT Division</p> <ul style="list-style-type: none"> - ECDC inexperienced at developing commercial companies working in competition - Speed of decisions - CLT projects have historically been slow to progress unless they have had access to excellent professional support and the required level of finance - Potential for perceived political bias in the way in which the Company will operate 	<p>THREATS</p> <p>LATC General</p> <ul style="list-style-type: none"> - Shortage of available land - Difficult economic climate - Competition <p>Commercial Services</p> <ul style="list-style-type: none"> - Traders leaving - Competition from other markets - Competition from events - Exclusion and/or isolation from partnerships <p>Property and CLT Division</p> <ul style="list-style-type: none"> - Property market can be subject to volatility in cost and sales - As the CLT market develops, new competitors may emerge - As house prices strengthen, other local developers may up their game in terms of design and quality and presence in the local market - Housing and planning are key policy areas for all political parties and future changes to legislation have the potential to create adverse conditions for the Company

Force Field Analysis

The force field analysis identifies the reasons for the change.

The Council's Medium Term Financial Strategy (MTFS) 2015/16-2019/20 has an overall objective of achieving self-sufficiency from Revenue Support Grant by 2020.

In July 2015 the Council adopted the Corporate Plan 2015-2019. The Corporate Plan contains six key aims and each aim has objectives, priorities and promises.



RISK MANAGEMENT PLAN

LATC Strategic Objectives

- To maximise on every commercial opportunity available,
- To trade in a manner that, wherever possible, acts in the best interest of the Council,
- To establish the LATC as a successful local developer with a reputation for delivering high quality, well-designed residential property,
- To optimize the financial return from Council owned land and property,
- To make a positive contribution to the delivery of more housing across the District to meet housing need in all segments of the market,
- To recycle surplus funds generated from these projects to support the corporate objectives of East Cambridgeshire District Council and enhance its reputation and financial viability, and
- To stimulate the growth of Community Land Trusts in East Cambridgeshire and open up a large enough market for the LATC to thrive.

Commercial risks such as venture failure and financial loss ultimately resides with the Council. Wherever possible the LATC shall put in place measures to mitigate risks. Providing and delivering services in a commercial environment is a new venture for the Council and as such it has not been possible to quantify all of the risks associated with such a venture. This in itself is a risk for the Council, however, monitoring performance and the quality of the services being provided and delivered will enable risks to be reduced/removed as the LATC establishes itself.

The table below identifies the 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.	This is outside the control of the Council and the LATC. Going forward this will need to be monitored. Continuous monitoring of changes to legislation through liaison with MP's, ebulletins, consultations, LGA KnowledgeHub and other publications.	Likelihood	1	Managing Director, LATC
Changes in legislation could impact on the LATC's ability to borrow (or conversely ECDC's power to lend) to fund future projects	Any significant changes in legislation which realise this risk should be addressed immediately by the Managing Director to Full Council. An amended Business Plan or Exit Strategy will need to be approved by	Impact	5	
		Risk	5	

	Full Council.			
Changes in Planning and Housing Policies could have an impact of the Property and CLT Division of the LATC, for example, changes to Affordable Housing, Starter Homes, and Self-build could impact the profitability of a particular development.	<p>Officers are aware of changes to the Housing and Planning policies that are proposed in April 2016. These changes will not impact on the sites at Barton Road and The Vineyards and as such do not undermine the current Property and CLT Development Division of the LATC.</p> <p>A priority up to April 2016 will be to understand the proposed changes through both policy and regulations; these are expected in February 2016.</p> <p>The Head of Property and Development will have regard to emerging changes to national planning policy, local planning policy and changes to legislation/regulation during the development appraisal process. These matters will be addressed through business planning and the planning application process.</p>	Likelihood Impact Risk	3 2 6	Head of Property and Development, LATC
<p>The Council cannot demonstrate a five year land supply.</p> <p>This has a potential to undermine the ability to deliver CLT development in East Cambridgeshire.</p>	<p>The Council has commenced the production of a New Local Plan. The policies within the local plan that relate to CLT development have been refined to encourage the delivery of CLT development.</p> <p>As the Local Plan goes through certain stages of development, the policies within the plan will gain weight in the decision making process.</p> <p>In addition, the Council has produced a draft Supplementary Planning Document which seeks to accelerate the delivery of Community-led Development.</p> <p>The Council shall monitor the position of its five year land supply on an annual basis as part of the Annual Monitoring Report; this will be published on the Council's website.</p> <p>The Council and the LATC shall promote CLT development in a manner that compliments CLT development in the District through policy and</p>	Likelihood Impact Risk	2 4 8	<p>Director, Commercial & Corporate Services</p> <p>Head of Property and Development, LATC</p>

	case study promotion.			
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. This will be a priority for the Board of Director in the first six months of operation.</p> <p>In the first six months of operation the Board of Directors will test the governance arrangements to ensure they work for both the Council and the LATC.</p> <p>Any changes to the Shareholder Agreement will need to be 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.</p> <p>In the first six months of operation the Council shall monitor whether the Shareholder Committee is fit-for-purpose and fulfils the requirements of the Shareholder Agreement and report, where necessary, any changes that are required to Full Council. Such changes will include any proposals to change the manner in which the LATC is scrutinised.</p>	Likelihood Impact Risk	3 4 12	Managing Director, LATC Director, Commercial & Corporate Services
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 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.	Likelihood Impact Risk	3 4 12	Chief Financial Officer

<p>The speed of the decision making process may have an impact on the LATC's ability to operate effectively.</p>	<p>In accordance with the Council's Constitution a Full Council meeting can be convened to deal with any urgent business.</p>			
<p>Lack of key skills amongst senior Board Members and management personnel could result that the LATC fails to maximise on commercial opportunities</p>	<p>The LATC Establishment Committee will recommend the appointment of the Chairman of the Board prior to the company being established. The recommended Chairman has vast knowledge and experience of organisations in a competitive environment. The Board of Directors will seek guidance and leadership from the Chairman of the Board.</p> <p>A key appointment for the LATC will be the appointment of the Head of Property and Development. The Board shall ensure that the position filled complements the objectives of the LATC. The same will apply to any other key appointment of the LATC management team.</p>	<p>Likelihood Impact Risk</p>	<p>2 2 4</p>	<p>Managing Director, LATC</p>
<p>Economic</p>				
<p>The Council will loan the LATC up to £5,000,000, to be drawn down by the Company in accordance with the loan agreement.</p> <p>If the Council's MTFS is not successfully implemented this will reduce the availability of loan finance to the LATC, thus undermining the cash flow and profitability of the LATC.</p>	<p>The Chief Financial Officer continuously monitors the MTFS to ensure the Council can 'make good' on its potential commitments. The MTFS takes into consideration Revenue Support Grant, the Treasury Management Strategy, ongoing efficiency savings and income generating services.</p> <p>The Chief Financial Officer will continue to monitor the performance of the MTFS and report any changes that could potentially impact either the Council or the LATC to Full Council</p> <p>The Chief Financial Officer will ensure the Council can make the advances to the LATC in accordance with the loan agreement, in the event that advances cannot be made the Chief Financial Officer shall notify the Managing Director of the LATC as soon as is practicably possible.</p>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Chief Financial Officer</p>

<p>The LATC cannot increase its indebtedness without the consent of Full Council, it is likely that loans will be provided by the Council (subject to Full Council approval of the Business Case for the loan).</p> <p>If the Council's MTFs is not successfully implemented this will reduce availability of loan finance to the LATC. This means the LATC would need to borrow from the 'market' and as such will undermine the LATC's profitability and cash flow as the LATC would not be able to benefit from the same terms and conditions of a loan agreement if it went to the market for such a loan.</p>	<p>This matter concerns the future of the LATC, however, effective business planning requires continuous consideration of financing in order to realise.</p> <p>In considering an application for a loan from the Council, the LATC shall engage with the Chief Financial Officer as early as practicably possible to enable the Council to assess its financial position and make a decision as to whether such a loan could be provided.</p> <p>The Council shall make a decision on whether to provide the LATC with a loan as early as practicably possible; if it is not possible this will enable the LATC to consider alternative options for financing.</p> <p>All parties shall have regard to the Council's decision making processes.</p> <p>The LATC shall, wherever possible, adhere to the deadline requirements of the Council's Committee and Council meetings.</p>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Chief Financial Officer</p> <p>Head of Property and Development, LATC</p>
<p>Changes in taxation, interest rates and build cost inflation could have an impact on the viability and profitability of the LATC.</p>	<p>At present changes in taxation is not a known risk, however, the LATC should have regard to the impact of any such changes.</p> <p>Building cost inflation is the key risk; to minimise the impact of this contracts will be let with costs defined.</p> <p>The Chief Financial Officer, and where relevant the Head of Property and Development, LATC, will monitor changes and factor any changes in the business planning process.</p>	<p>Likelihood Impact Risk</p>	<p>1 3 3</p>	<p>Chief Financial Officer</p> <p>Head of Property and Development, LATC</p>
<p>Economic downturn could result in less than anticipated (or even losses) assumed in the Business Plan</p>	<p>A full assessment of the market conditions will be carried out prior to any development commencing. In the event that an economic downturn occurs once a development has commenced the Head of Property and Development will appraise the Managing Director of the situation.</p>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	<p>Head of Property and Development, LATC</p>

	<p>The Managing Director shall inform Full Council as soon as is practicably possible of any significant changes that may impact on the repayment of the loan.</p> <p>Where relevant the Managing Director shall present to Full Council an amendment to the Business Plan or, if necessary, present an Exit Strategy, for approval.</p>			Managing Director, LATC
<p>In order to prosper in a commercial environment, cash flow for the LATC will be essential.</p> <p>Insufficient cash flow will result in the LATC being constrained in realising the objectives of the Business Plan.</p>	<p>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.</p> <p>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) that would enable commercial opportunities to be realised.</p>	Likelihood Impact Risk	3 4 12	Managing Director, LATC Chief Financial Officer
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 the Commercial Services Division of the LATC and will constrain the cash flow of the LATC.</p>	<p>When bidding for contracts that are outside of the boundaries of the Council's administrative area, the Director, Commercial & Corporate Services 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>	Likelihood Impact Risk	2 2 4	Director, Commercial & Corporate Services
<p>Inadequate cost controls on commercial build contracts can lead to delays, overspends and</p>	<p>A key appointment for the LATC will be the appointment of the Head of Property and Development. The Board shall ensure that the position filled compliments the objectives of the LATC. The same will apply to</p>	Likelihood Impact Risk	2 3 6	Managing Director, LATC

<p>reduced profitability/cash flow for the company.</p> <p>This has the potential to undermine the LATC's ability to repay its loans to the Council.</p>	<p>any other key appointment of the LATC management team.</p> <p>The Head of Property and Development, LATC, in the business planning cycle, shall have regard to market conditions, build cost inflation and put in place a robust project management and cost control plan.</p>			<p>Head of Property and Development, LATC</p>
<p>Market traders may be concerned with the transfer of the Markets Service to the LATC; concerns could relate to fear of increased charging or disruption of service.</p> <p>This could lead to reduced occupancy rates, thus reducing the profitability/cash flow to the LATC</p>	<p>The market traders have already been notified of the proposals to transfer the Markets Service to the LATC. To date no concerns have been raised.</p> <p>The traders have been reassured that it is a case of business as usual for them and that there is a commitment to ensure the LATC, at the very least, maintains the existing service; there will be improvements which will only benefit the traders.</p> <p>In order to ensure maintaining the excellent service that has been provided through the Council, the Council will second the existing Markets Team to the LATC.</p> <p>In order to overcome concerns over price increase, there will be an Operations Management Agreement between the Council and the LATC that will restrict the LATC's ability to increase charges for existing traders.</p> <p>The Markets Team shall hold regular meetings with the market traders to ensure satisfaction with the service and shall work with the traders to put together an action plan which seeks to improve the service. The action plan will be presented to the Board of Directors for inclusion in the review of the Business Plan.</p>	<p>Likelihood Impact Risk</p>	<p>1 3 3</p>	<p>Director, Commercial & Corporate Services</p>
<p>Lack of community appetite for CLT development may undermine the targets set out in the Business Plan</p>	<p>The Council has commenced the production of a New Local Plan. The policies within the local plan that relate to CLT development have been refined to encourage the delivery of CLT development.</p>	<p>Likelihood Impact Risk</p>	<p>2 4 8</p>	<p>Head of Property and Development, LATC</p>

	<p>The Council has produced a draft Supplementary Planning Document which seeks to accelerate the delivery of Community-led Development.</p> <p>The Council and the LATC shall promote CLT development in a manner that complements CLT development in the District through policy and case study promotion.</p> <p>The LATC shall employ experts in CLTs to assist communities in delivering CLT developments.</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>The level of resources required is identified in the 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 as a new entity.</p>	Likelihood Impact Risk	1 3 3	<p>Managing Director, LATC</p> <p>Director, Commercial & Corporate Services</p>
Not maintaining the services currently offered by the Council could lead to reputational damage for the Council.	<p>The LATC will enter into an Operations Management Agreement with the Council which will set out the minimum requirements for service delivery, i.e. the minimum requiring the status quo.</p> <p>The Director, Commercial & Corporate Services 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.</p>	Likelihood Impact Risk	1 3 3	Director, Commercial & Corporate Services
The Property and CLT development Division of the LATC Business Plan is underpinned by the transfer of two sites from the Council to the LATC; the Vineyards and Barton Road.	Subject to acquiring planning permission, the Council shall continue to secure the necessary consents to facilitate the sale of the identified sites to the LATC.	Likelihood Impact Risk	1 4 4	<p>Managing Director, LATC</p> <p>Chief Financial Officer</p>

Non-transfer of these sites to the LATC for development will significantly undermine the Business Plan and constrain the growth of the LATC				
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