

Minutes of the meeting of the Local Authority Trading Company
Establishment Committee held in the Council Chamber,
The Grange, Nutholt Lane, Ely on Thursday,
17th December 2015 at 2.00pm

P R E S E N T

Councillor James Palmer (Chairman)
Councillor Lorna Dupré
Councillor Lis Every
Councillor Bill Hunt
Councillor Charles Roberts

I N A T T E N D A N C E

Maggie Camp – Legal Services Manager
Emma Grima – Director, Commercial & Corporate Services
John Hill – Chief Executive
Janis Murfet – Democratic Services Officer
Andy Radford – Chief Financial Officer
Phil Rose – Strategic Land Advisor
Public – 1 Member

26. **PUBLIC QUESTION TIME**

Mr Peter Bates asked the following questions:

- As draft minutes of the last meeting is an agenda document, is it possible for this document to appear on the same web page as the other documents that will be used at that meeting, rather than just appearing on the webpage on the meeting that the minutes are referring to? This would apply to all meetings – in order to make it easier for members of the public to find draft minutes. I hope the answer is – Yes!
- Further to my questions as shown in the draft minutes of the last meeting, has any generic open-ended phrase been inserted into the Business Plan of the LATC - so that it may also consider managing projects of local public and community interest, that it becomes aware of, and would be better run under the LATC rather than through the council? If yes, where?

The rationale behind this question:-

- a) I understand that the main purpose of the LATC is to generate new income for LATC.
- b) However, members of previous committee meetings appear to embrace the spirit of what I have said that the LATC also creates

new opportunities for different ways of working for the local public and community interest. Projects will need to be sustainable (cover all management costs and not make a loss), although may not actually make a profit – that goes back to ECDC. Obviously, any projects that are considered would need to be “risk assessed” to ensure that they are sustainable and not a drain on the LATC’s “time”.

- c) I am just keen to see that this “spirit” is embedded within the LATC Business Plan at the outset – so that it could take up opportunities as and when they arise. But it should not be phrased in a way that will “handcuff” the LATC.

The Chief Executive replied on behalf of the Chairman and said that it would be possible for draft minutes to appear on the same web page as the other agenda documents. The Democratic Services Officer was instructed to feed this back to her colleagues so that it could be implemented.

With regard to Mr Bates’ second question, the Chief Executive reminded the Committee that this point had been raised by Mr Bates at the previous meeting, and that Councillor Hunt had been prominent in his comments. The Chief Executive stated that Members would approach all projects in a spirit of openness. The outline business plan (OBP) reflected the balance between the LATC and the Council and it would be assessed by Members to ensure it was adequate before being taken to Full Council.

Councillor Hunt repeated his concerns that if anything else was included in the OBP, it would fetter the Council.

The Chairman thanked Mr Bates for his attendance and for having raised some valid points which would be given consideration.

27. **APOLOGIES AND SUBSTITUTIONS**

There were no apologies or substitutions.

28. **DECLARATIONS OF INTEREST**

No declarations of interest were received.

29. **MINUTES**

It was resolved:

That the minutes of the meeting held on 27th November 2015 be confirmed as a correct record and signed by the Chairman.

30. **CHAIRMAN’S ANNOUNCEMENTS**

The Chairman did not make any announcements.

31. **ESTABLISHMENT OF THE LOCAL AUTHORITY TRADING COMPANY**

The Committee considered a report, reference Q150, previously circulated, which contained a set of appendices and recommendations to go forward to Full Council to formally seek establishment of the Local Authority Trading Company (LATC).

It was noted that whereas Members had already seen the business plans for property development and commercial services, they had not yet seen the overall business plan.

The Articles of Association were now capable of going forward for approval and the funding document would be incorporated into the business plan.

In connection with the appointment of a chairman for the LATC, the Chief Executive reported that there had been four applicants, three of whom had been interviewed. He was now able to confirm that Mr Paul Remington had been appointed, and recommendation 2.1(vi) should be amended to reflect this.

The Chief Executive said there was a need for Officers to progress with recommendations 2.1(vii) – (ix). To this end, he and the Legal Services Manager would work to complete the necessary legal documentation to give the Chief Financial Officer delegated authority to enter into a loan agreement based on the heads of terms, as detailed in Appendix 6.

The Constitution would be amended to take account of the establishment of the Shareholder Committee, and this would go to Council as a separate agenda item.

With reference to recommendation 2.1(x), Members were reminded that the development of Community Land Trusts was a key objective for the Authority. It was felt that the provision of a support framework and financial incentives were appropriate, but this would be a policy decision for Council.

At the invitation of the Chairman, the Chief Financial Officer took Members through the outline business plan (Appendix 1), highlighting a number of points:

- Paragraph 1.4 on page 3 of the document set out an indicative summary of the LATC's income and expenditure for the first three years of trading;
- The arrangements for governance and management were detailed on pages 8 – 10;
- Page 10, paragraph 5 detailed financial matters. The projected income and expenditure was a consolidation of the financial information provided in Appendices 2 and 3 and the costs associated with operating the LATC;
- A draft Risk Register for the LATC had been tabled at this meeting.

In connection with the “Opportunities” section of the SWOT analysis on page 12 of Appendix 1, Councillor Hunt Commented on the second point which stated that *“The LATC will be able to accelerate the delivery of CLT development”*. He felt that being the first Community Land Trust (CLT) in East Cambridgeshire, Stretham & Wilburton CLT would have an abnormal burden in 2016 due to the demands placed on it by the number of interested parties wanting to come and see what was being done. Consideration should be given as to how it would be managed and a system should be put in place to compensate for this.

The Chief Executive responded by saying that if recommendation 2.1(x) was approved, the Stretham & Wilburton CLT would be the first to benefit, as it was in the Council’s interest to ensure that as many people as possible could see CLT’s on the ground. He was happy to take this point forward and would discuss it with the Strategic Land Advisor.

At this point, Councillor Roberts said he felt he should declare an interest as he was Chairman of the Stretham & Wilburton CLT; he had not done so earlier in the meeting because he was not aware that this matter would be raised.

The Chief Executive continued, saying that the New Homes Bonus (NHB) could be made available to Stretham & Wilburton CLT. This would be £350 per dwelling each year for six years, but the burden was likely to come before completion of the dwellings.

The Chief Financial Officer reiterated that the key elements of the Outline Business Plan were the drivers for the LATC to go forward and they would be used as the template for future schemes. He then took Members through paragraphs 5.1 – 5.7 of the report which set out the financial implications, saying that the overall assumption was that the LATC would be cost neutral and self funding for the Council. Referring next to the Draft Heads of Terms (Appendix 6), the Chief Financial Officer stated that the loan would be a maximum of £5,000,000. There would be a first draw down as cash flow required and then a repayment schedule would be agreed with the Lender.

Councillor Roberts congratulated Officers on an excellent financial strategy. However, he urged caution about thinking of the LATC and the Council as two separate entities. Members should not lose sight of the fact that both were aiming to meet the same ends, and through the business plan they would meet their objectives. This should be kept in mind when talking about trading. With regard to the £5,000,000 loan being proposed to Council, he questioned how set in stone this figure was, as he believed there should be the flexibility for the Company to expand its ambitions. The Chief Financial Officer replied that the LATC Board had not yet been set up and it made him somewhat nervous “playing two hats” with regard to funding. The figure was based on business cases, but he acknowledged that once the Company was up and running, the business plan might require more borrowing capacity.

Councillor Every said it was her understanding that the original concept was to move profitable services over to the Company with a Teckal Agreement. However, while it was known that there would not be sufficient cash, she

wished it to be clarified that the loan would be available as and when needed rather than moving over other services. The Chief Financial Officer replied that there would be one or two minor costs but the Company would not want to take out the loan early on. The loan would be very small and paid back very quickly, and the £5,000,000 was for the property side. Councillor Every asked for this to be made clear at the meeting of Council in January 2016, adding that a table would be helpful. The Chairman agreed, saying that it would be important to future proof.

Councillor Hunt drew Members' attention to paragraph 4.1.5 on page 9 of Appendix 1, noting that the Shareholder Committee would have no right to call in people if something appeared to be going wrong. He believed there should be some way in which the Shareholder Committee could voice its concerns and request meetings with the Managing Director within seven days. The Chief Executive reiterated his comments made at the previous Committee meeting saying that in the days of the Council's Scrutiny Committee, Officers could be required to attend, but in this case to await an invitation to attend would be more appropriate. Using "request" would be useful, as it would be a two-way process; this would go to Council for discussion.

For the benefit of the Committee, the Chief Executive clarified the position regarding the call in procedure for policy committees and the calling of an extraordinary meeting of Full Council. He said that if the LATC Board needed to secure the agreement of Council for something, then as many meetings as necessary would be called.

Following on from Councillor Hunt's point about the Shareholder Committee, Councillor Dupré noted that the Committee would only be able to review and make recommendations to Council. In view of this, she hoped that the relationship between the Chairman of the Board and the Shareholder Committee would see interaction regarding recommendations to Council. The Chief Executive said he saw it as an interactive process.

Councillor Dupré continued, pointing out that Appendix 1 was referred to as the Outline Business Case in the covering report, whereas the correct terminology was the Outline Business Plan. Risk assessment was one of the most important functions, at the very heart of the process, and she was disappointed that the draft Risk Register had not been presented until this meeting. She wished to examine the document properly before making comment and would therefore reserve her position.

Turning next to paragraph 5.5 of the report, Councillor Dupré said she was surprised to see this information given in the public domain, as it had been provided in an exempt paper at the meeting of the Asset Development Committee. She spoke of the impact if things did not happen, as it would affect cash flow and also the ability to take on other work. The Chief Financial Officer replied that he thought there would be a bigger impact on the Council rather than the LATC.

The Chief Executive advised her that the information relating to the Teckal Agreement had since been de-exempted, and it did not include financial valuations.

With regard to Appendix 6, paragraph 6 (Loan Purpose), Councillor Dupré asked whether written approval would come from Full Council or be given under delegated authority; she requested that it be made clear in the final document.

Councillor Every agreed that the relationship between the Shareholder Committee and the Board had to be absolutely clear and she believed the Managing Director should attend the Shareholder meetings. Councillor Roberts concurred, saying that there should be the ability to stop things from going wrong before they even happened. This could be addressed with a good solid business plan, good reports and careful planning. The potential for Council's decisions to affect the Trading Company should be included in the Risk Register, as careful planning and risk analysis should remove the need to hold special meetings.

In connection with the £5,000,000 borrowing limit, Councillor Roberts thought that should the Trading Company have greater ambitions and therefore require a higher limit, there should be the ability to bring the matter before Council. He would be happier knowing the potential scope, because if the limit was to be bigger, it would be important how this was presented to Council. The Chairman commented that £5,000,000 was the limit stated in the Agreement, but something could be included to consider more borrowing if the need arose. The Chief Financial Officer reminded Members that the £5,000,000 was linked to a specific scheme but the narrative in the business plan could be strengthened.

The Chief Executive believed there was a difficult balance to be achieved and that the process needed to be explained to Members if the borrowing limit was to be exceeded. He said he could foresee the Trading Company making clear its ambitions in the first six months and coming back to the Shareholder Committee regarding the limit. This posed the question of whether the process was fast and flexible enough, and Members should wait for confirmation that Council was happy to see a change to the limit after the inception of the LATC.

Councillor Every urged caution, reminding the Committee that a number of new companies went out of business every year due to expanding too quickly. A time would come when the decision had to be made whether to plough the profits into the Council or into the business and it should not be forgotten that the purpose was to supply good quality services to the ratepayer. The Chairman interjected to add that it was also to relieve the Council's reliance on Government funding.

Councillor Dupré expressed concern about the "what if's", saying that all points, both good and bad, should be addressed in the Risk Register. The Chief Executive stated that when he summarised the recommendations to go forward to Council, the Risk Register would be added and it would be for Council to decide.

Councillor Hunt said he did not share Councillor Roberts' concern regarding the borrowing limit. There should be a two way conversation between

the Shareholder Committee and the Company, and then a meeting of Council called. In this way, matters could be dealt with very quickly.

There being no further comments,

It was resolved to recommend to Council:

That the establishment of the East Cambridgeshire Local Authority Trading Company be approved, and specifically to approve:

- i. The overall business plan as detailed in Appendix 1;
- ii. The business plans for property development and commercial services, attached as Appendices 2 and 3;
- iii. The Shareholder Agreement and Articles of Association in detailed in Appendices 4 and 5;
- iv. The funding strategy detailed in paragraph 5.1;
- v. The composition of the Board, as set out in Appendix 1 (ref: P9 paragraph 4.1.1);
- vi. The appointment of Paul Remington as Chairman of the LATC;

Furthermore, in order to implement 2.1(i) to (vi), authorise and approve:

- vii. The Chief Financial Officer to enter into a loan agreement based on the heads of terms detailed in Appendix 6, making it explicit that Council is “the Lender”;
- viii. The Chief Executive and Legal Services Manager to complete the necessary legal documentation to implement the above;
- ix. The Deputy Monitoring Officer to amend the Constitution, as necessary, to implement the above;
- x. The Chief Financial Officer to ring fence the affordable housing additional element of New Homes Bonus payable to the CLT on completion of each property; and
- xi. To note the draft Risk Register, as tabled at the meeting, to go to Council for approval.

The meeting closed at 3.16pm.