



**Commercial Services  
Cabinet Committee**

Members of the **Commercial Services Cabinet Committee** of **Gravesham Borough Council** are summoned to attend a meeting to be held at the Council Chamber, Civic Suite on **Thursday, 12 September 2019 at 7.30 pm** when the business specified in the following agenda is proposed to be transacted.

S Walsh  
Service Manager (Communities)

**Agenda**

**Part A**

**Items likely to be considered in Public**

1. Apologies
2. Minutes (Pages 3 - 6)
3. Declarations of Interest
4. To consider whether any items in Part A of the agenda should be considered in private of those (if any) in Part B in public
5. Formation of a Local Authority Trading Company (Pages 7 - 20)  
Provide an update on the progress that is being made in establishing a Local Authority Trading Company for Gravesham Borough Council.
6. Any other business which by reason of special circumstances the Chair is of the opinion should be considered as a matter of urgency.

## 7. Exclusion

To move, if required, that pursuant to Section 100A (4) of the Local Government Act 1972 that the public be excluded from any items included in Part B of the agenda because it is likely in view of the nature of business to be transacted that if members of the public are present during those items, there would be disclosure to them of exempt information as defined in Part 1 of Schedule 12A of the Act.

**Part B**  
**Items likely to be considered in Private**  
None

### **Members**

Cllr Lenny Rolles (Chair)  
Cllr Sarah Gow (Vice-Chair)

Councillors: Conrad Broadley  
John Caller  
Leslie Pearton  
Anthony Pritchard  
Tony Rana  
Tony Rice  
Gurbax Singh  
Denise Tiran

Substitutes: To be notified

**Commercial Services Cabinet Committee****Monday, 8 July 2019****7.30 pm****Present:**

Cllr Lenny Rolles (Chair)  
Cllr Sarah Gow (Vice-Chair)

Councillors: Conrad Broadley  
John Caller  
Anthony Pritchard  
Tony Rana  
Tony Rice  
Gurbax Singh  
Denise Tiran

**Note:** Cllr Leslie Hills was also in attendance.

Stuart Bobby	Director (Corporate Services)
Sarah Parfitt	Assistant Director (Corporate Services)
Elizabeth Thornton	Service Manager (Property and Regulatory Services)
Michelle Batstone	Corporate Change Manager
Charlie Simmonds	Committee Services Manager

**1. Apologies**

An apology for absence was received from Cllr Leslie Pearton.

**2. Declarations of Interest**

No declarations of interest were made.

**3. Order of Agenda**

The Chair stated the agenda item 5 would be considered before agenda item 4.

**4. Local Authority Trading Company (LATCo) Briefing Paper**

The Director (Corporate Services) informed the Committee that given the financial pressures that had been placed on Councils in recent years there had been a drive for local authorities to consider the way in which they operate and provide their services. This had resulted in Councils exploring other options for income generation such as purchasing of commercial properties and the formation of trading entities to deliver Council services such as private repairs and maintenance, house clearance and vehicle repairs.

There were two key pieces of legislation which allowed for a local authority to trade in the services it provides:-

- The Local Government Act 2003 which allows local authorities to trade in the ordinary day to day functions of the Council; and
- The Localism Act 2011 which allows local authorities to trade in any area (unless expressly prohibited or limited by statute).

A recent report by Grant Thornton in September 2018 stated that it had identified 743 LATCos in Great Britain and that 59.2% of local authorities owned at least one. These figures included commercial property companies which made up 23.2% of all LATCos.

The Council's Medium-term Financial Strategy 2016-17 to 2019-20, set out an initial funding gap by 2019-20 of £2.9m. Whilst considerable action had been undertaken to date to 'bridge the gap' in term of identifying savings and new income streams, a further £1.3m of savings had been agreed in the autumn of 2018 as a result of further central government austerity measures and commercialisation would be a key step to delivering these additional actions to close the funding gap.

The Director (Corporate Services) provided Members with a detailed overview on the process of forming a LATCo and the Council's potential approach to the formation of such a company.

Members highlighted the following:-

- Which services would be progressed and would a business case for each of those services be submitted to the Committee for consideration.

The Director (Corporate Services) advised that there were currently three areas being explored and that further work needed to be undertaken. The Committee would be informed of those areas and the order in which they would be progressed once the above work had been completed.

- If the LATCo was to become successful, would TUPE need to be considered?

The Director (Corporate Services) advised that the creation of a LATCo was in no way intended to result in the transference of existing Council functions or the erosion of staff terms and conditions.

- The Council will need to adequately protect those Members and Officers that will sit as Directors on the LATCo as they will become personally liable i.e. the Council will need to indemnify those appointed.
- Consideration will need to be given to how the Council will manage expectations when providing services for both the public and private sector.
- Could a LATCo offer services that are outside of the Council's ordinary day to day functions.

The Director (Corporate Services) advised that this was possible however there was no intention to do so at this moment in time.

As it was the Council's intention to establish a LATCo, the Committee was informed that approval would need to be obtained from Full Council therefore appendix four to the report

set out an indicative timeline for establishing a trading company by 1 April 2020. Regular updates on progress would be provided to the Committee over the course of the year.

## 5. Property Acquisitions Briefing Paper

The Assistant Director (Corporate Services) informed the Committee that Full Council had adopted a Property Acquisition Strategy in February 2016. At the time of approving the Strategy, £10m of the Council's investment balances were made available for the purchase of properties for investment purposes. Since that time, total funding of £26.2m had been made available to implement the Property Acquisition Strategy due to the strengthening of the Council's cashflow balances, meaning that these balances had not reduced as quickly as expected. A balance of £3.29m currently remained.

The Assistant Director (Corporate Services) advised that the strategy set out the following criteria for selecting investment assets:-

- the investment provides a regular income with the net initial yield exceeding a minimum level of 3% above the prevailing 25 year Public Works Loans Board (PWLB) fixed maturity rate, after taking into account all costs associated with the acquisition;
- purchases are to be from the retail, industrial, office and any other conventional business sectors; and
- acquisitions are not limited to being within the Borough of Gravesham.

Interests in the following properties had been acquired to date:-

- Network House, Gillingham;
- Springhead Units A4, A5 and C1-6, Gravesend;
- St Johns House, Dartford;
- 123-127 High Street, Sittingbourne;
- Site at Stuart Road, Gravesend;
- 35-36 New Road, Gravesend; and
- Springhead Units A1-A3 and B1-B4, Gravesend.

In 2019/20 the above properties have been budgeted to generate rental income of some £1.5m. Had the same levels of investment been placed in Banks, Building Societies and Money Market Funds, it had been estimated that this would have only generated returns of around £150,000.

As at 31 March 2019, the value of investment property assets held on the Council's balance sheet had increased to £38.69m.

In recognition of the increased reliance on this type of income to support the General Fund budget, the Council had now established an earmarked reserve – the Income Protection Reserve. This reserve had been set at a level equivalent to 15% of the budgeted rental income reflected in each year of the Medium Term Financial Plan and will be directed to meet any maintenance and upkeep requirements of properties purchased under the Strategy or to smooth the impact on the General Fund budget of any unplanned void periods.

The Assistant Director (Corporate Services) advised that further details on each of the seven properties acquired would be shared with the Committee outside of the meeting.

The Committee was informed that both Financial and Property Services were currently finalising a 'property dashboard' which would be periodically shared with the Committee to provide an overview of the Council's total commercial property portfolio and detailing any risks to the performance of the portfolio. Members were invited to submit any further information which they would like to see included within the 'property dashboard'.

The Committee thanked officers for the detailed reports.

### **Close of Meeting**

The meeting ended at 8.23pm

**Classification:** Public

**Key Decision:** No

### **Gravesham Borough Council**

**Report to:** Commercial Services Cabinet Committee

**Date:** 12 September 2019

**Reporting officer:** Michelle Batstone, Corporate Change Manager

**Subject:** Formation of a Local Authority Trading Company (LATCo) –  
UPDATE

#### **Purpose and summary of report:**

To provide Members of the Commercial Services Cabinet Committee with an update on the progress that is being made in establishing a Local Authority Trading Company for Gravesham Borough Council.

#### **Recommendations:**

None – this paper is for information purposes only.

## **1. Background**

- 1.1 At the first meeting of Commercial Services Cabinet Committee of 08 July 2019, Members were provided with a briefing paper to set out some general information regarding the formation of a Local Authority Trading Company (LATCo), along with an indicative timeline for the formation of a LATCo for Gravesham Borough Council.
- 1.2 Since this date, work has been progressing to move this project forwards, and the purpose of this report is to provide an update to Members on the progress to date.

## **2. Formation of the LATCo**

- 2.1 An internal Corporate Working Group has been established with officers from key disciplines; Finance, IT, Legal Services and Internal Audit. This group has met three times and meetings have been scheduled on a fortnightly basis to ensure the project continues to progress. A detailed project plan for the formation of the LATCo itself has also been developed and, whilst this will be a working document, the latest version is attached at appendix two for Members perusal.

2.2 At the last Commercial Services Cabinet Committee meeting, Members were advised that a discussion would be taking place at a Management Team level in order to ascertain the specific service area for a which a company would be formed; three areas were identified:

- Private Sector Housing Rental
- Vehicle Workshop Services
- Repairs and Maintenance Services

Following discussions at Management Team it was agreed that the Vehicle Workshop Services would be the first service to be delivered by the LATCo. It should be noted however, that the roll-out of Vehicle Workshop services through the LATCo would be staggered i.e. only one aspect of the service would initially be offered from the LATCo from 1 April 2020, with additional services becoming available as the company progressed.

2.3 Specifically, progress in relation to the Vehicle Workshop aspect to date has been as follows:

2.3.1 Business Case Development

- A template for the business case has been drawn up and shared with the internal officer Working Group. Work has commenced in terms of drafting the background information to support the business case, whilst further detailed analysis takes place.

2.3.2 Operational Services Impact

The Waste & Transport Manager has commenced planning from an operational point of view in terms of the services that are to be delivered from the vehicle workshop, and this will form a secondary section of the project plan. He will also be attending future meetings of the Corporate Working Group.

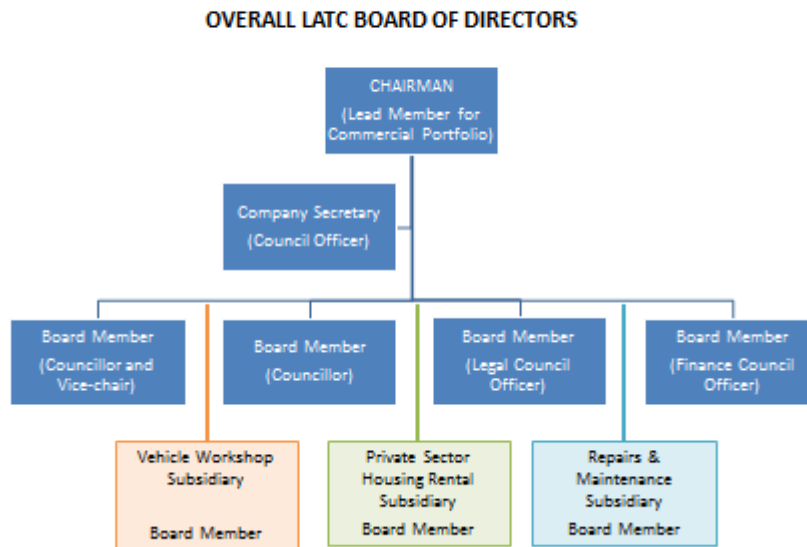
2.3.3 Governance

- Training for Board Members, both officers and Members, is in the process of being sourced. The LGA have been approached in order to ascertain if the training they provide is suitable for GBC officers and Members. In addition, the council's external legal advisors have been approached to identify if they are able to provide any specific briefings/training, as well as the council's external auditors.
- External Audit – a meeting is in the process of being scheduled with Grant Thornton in order to discuss the council's approach to establishing the LATCo in order to ensure that audit considerations/implications are clear from an early stage.
- Job descriptions for the generic Board Members and Company Secretary roles are in the process of being drafted. Very early drafts of the job descriptions are attached at appendix three for Member's perusal; These are working drafts and are in the process of being developed further with the council's Legal Team to ensure that all aspects of the Board responsibilities are clearly defined. The job descriptions will refined further ahead of the submission of the business case to the Committee in November 2019.



- A suggested structure for the Board of Directors for the LATCo has been discussed, which has drawn out a very early, indicative proposal for the Board structure. This will formally be something that forms part of the business case and will be approved by Cabinet and Full Council, but current thinking at this stage is as follows:

## Wider LATCo Proposed Structure



The structure will involve both officers and Members of the council, with three Councillors and two officers with decision-making powers. The councillors selected will be representative of the political balance of the Council and the officers selected will be chosen based upon the skills required for the given roles on the Board.

In addition, it is suggested that the voting rights for the company will be limited to the Chairman and four Board Members. The subsidiary company Board Members will have no voting rights at this stage, although this may be something to be reviewed in the future. As such, it has been suggested that the Articles of Association for the company will be drafted with sufficient flexibility to enable the company to respond to changes in Board membership, whilst not jeopardising the legal standing of the company itself.

At this stage, it is not considered necessary to have Non-Executive Directors as part of the Board. Initially, the company will have a very defined use i.e. specifically in relation to the vehicle workshop service and as such, it is not felt that an independent, Non-Executive Director is required. However, this is something that will be kept under consideration as the company expands into the provision of other services.

- 2.4 There is still a significant amount of work to be undertaken in order to prepare the business case for consideration by Members and work is progressing at pace.

### 3. Next Steps

- 3.1 At the next meeting of the Commercial Services Cabinet Committee on 04 November 2019, the draft business case proposal will be presented to the Committee for their review. Following this, the business case will be presented to Cabinet on 11 November, requesting their approval to submit this to Full Council on 3 December for formal consideration. In addition, an update report will be also be provided to the Operational Services Committee on 18 November 2019, as the Committee responsible for overseeing the vehicle workshop function.

### 4. Background Papers

- 4.1 Background papers pertaining to this report are as follows:

- Report to the Commercial Cabinet Committee – 08 July 2019 – “*Local Authority Trading Company (LATCo) Briefing Paper*”

Anyone wishing to inspect background papers should, in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements.

IMPLICATIONS	APPENDIX 1
<b>Legal</b>	<p>There are two key pieces of legislation which allow a local authority to trade in the services it provides:</p> <ul style="list-style-type: none"> <li>- The Local Government Act 2003 which allows local authorities to trade in the ordinary day to day functions of the council.</li> <li>- The Localism Act 2011 which allows local authorities to trade in any area (unless expressly prohibited or limited by statute).</li> </ul> <p>Should the council wish to trade in council services such as private repairs and maintenance, house clearance and vehicle repairs then a local authority trading company would have to be set up to enable this.</p> <p>In order to ensure that the legal aspects of the business case and formalisation of the company are fully considered, members of the Legal Shared Service are part of the internal Corporate Working Group.</p>
<b>Finance and Value for Money</b>	<p>The council's Medium-term Financial Strategy 2016-17 to 2019-20, sets out a funding gap by 2019-20 of £2.9m. Whilst considerable action has been taken to 'bridge the gap' in term of identifying savings and new income stream, there is a need to identify a further £1m of savings and commercialisation is a key step to closing this additional funding gap.</p> <p>In order to ensure that the financial aspects of the business case are fully considered, members of the Finance Team are part of the internal Corporate Working Group.</p>
<b>Risk Assessment</b>	<p>Establishing a wholly-owned trading company on behalf of the council does come with risk and if/when this option is progressed, a fully detailed business case will be prepared (in line with the Localism Act 2011) to fully detail, analyse and identify actions to mitigate such risks.</p>
<b>Data Protection Impact Assessment</b>	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of <a href="#">personal data</a> or <a href="#">special category data</a> or <a href="#">criminal offence data</a>? Yes.</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? A Data Protection Impact Assessment will be completed in due course and accompany the business case through the committee process</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at <a href="mailto:gdpr@medway.gov.uk">gdpr@medway.gov.uk</a>. N/A</p>

IMPLICATIONS	APPENDIX 1
<b>Equality Impact Assessment</b>	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>No – however, an equalities impact assessment will be completed in due course and accompany the business case through the committee process</p>
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p>
	<p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
<b>Corporate Plan</b>	<p>The information set out within this report contributes to the following Corporate Plan Objectives:</p> <ul style="list-style-type: none"> <li>- <i>Strategic Objective 1 – Safer Gravesham:</i> <ul style="list-style-type: none"> <li>- Pursue commercial opportunities for our Direct Services Organisation to improve our environment and generate income for vital services.</li> </ul> </li> <li>- <i>Strategic Objective 4 – Sound and Self-sufficient Council:</i> <ul style="list-style-type: none"> <li>- Commit relevant resources to implement a culture of innovation and commercial awareness, generating vital income for future services.</li> <li>- Deliver on opportunities for the sharing and selling of council services.</li> <li>- Continuously review and adapt how we deliver our services to achieve financial efficiencies and improved performance.</li> </ul> </li> </ul>
<b>Crime and Disorder</b>	<p>There are no specific crime and disorder implications resulting from this report.</p>
<b>Digital and website implications</b>	<p>At this stage, there are no specific digital or website implications. As highlighted in the project plan, there will be a requirement for input from the Digital Team which will be considered at the appropriate time.</p>
<b>Safeguarding children and vulnerable adults</b>	<p>There are no specific safeguarding children and vulnerable adult's implications resulting from this report.</p>













**NOTE:** The job descriptions detailed in this appendix are an early, indicative draft of the subject areas to be considered. Further work to develop these to ensure that legal requirements are explicit and the roles of Board Members are clear is currently underway.

## **Gravesham Local Authority Trading Company**

### **Board Member Job Description - DRAFT**

#### **Expectations of the Board as a Whole**

As the highest leadership body for the Local Authority Trading Company (LATCo), the board is responsible for:

- determining the mission and purposes of the LATCo and keeping this under review
- strategic and organisational planning
- ensuring strong fiduciary oversight and financial management
- responsibility for declaring company dividends
- fundraising and resource development
- monitoring the LATCo's services and performance
- enhancing the LATCo's public image
- take responsibility for the health and safety of employees and manage matters related to insurance and property.
- enter into contractual agreements with suppliers and customers as required

#### **Expectations of Individual Board Members**

Each individual Board Member is expected to

- know the LATCo's mission, policies, programs, and needs
- read and understand the LATCo's financial statements
- serve as active advocates and ambassadors for the LATCo and fully engage in identifying and securing the financial resources and partnerships necessary for the LATCo to advance its mission
- prepare for, attend, and conscientiously participate in board meetings
- participate fully in one or more committees
- ensure all decisions are made with regards to the best interest of the company and operate in independence from the council.



**NOTE:** The job descriptions detailed in this appendix are an early, indicative draft of the subject areas to be considered. Further work to develop these to ensure that legal requirements are explicit and the roles of Board Members are clear is currently underway.

## **Gravesham Local Authority Trading Company**

### **Chairperson Job Description - DRAFT**

#### **Expectations of the Chairperson of the Local Authority Trading Company (LATCo) Overall**

- Leading the committee and the LATCo to enable it to fulfil its purpose.
- To ensure an effective relationship between:
  - the committee and the staff/volunteers
  - the committee and the external stakeholders/community
- Acting as a spokesperson and figurehead as appropriate.

#### **Expectations of the Chairperson Specifically**

- Chair committee meetings ensuring:
  - A balance is struck between time-keeping and space for discussions.
  - Business is dealt with and decisions made.
  - Decisions, actions and deliberations are adequately minuted.
  - The implementation of decisions is clearly assigned and monitored.
- Ensure adequate support and supervision arrangements are made for the head of staff and any other staff/volunteers directly managed or reporting to the committee.



**NOTE:** The job descriptions detailed in this appendix are an early, indicative draft of the subject areas to be considered. Further work to develop these to ensure that legal requirements are explicit and the roles of Board Members are clear is currently underway.

## **Gravesham Local Authority Trading Company Company Secretary Job Description - DRAFT**

### **Expectations of the Company Secretary of the Local Authority Trading Company (LATCo)**

- report to the chairman and liaise with board members as required
- prepare agendas and papers for board meetings, committees and follow up on action points
- take minutes, draft resolutions, and lodge required forms and annual returns with Companies House, the UK's registrar of companies
- ensure policies are kept up to date and approved by the Board as required
- deal with correspondence, collate information and write reports, communicate decisions to relevant company stakeholders
- contribute to meeting discussions, and when required advise members of the legal, governance, accounting and tax departments of the implications of proposed policies
- monitor changes in relevant legislation and the regulatory environment and take appropriate action
- liaise with external regulators and advisers, such as lawyers and auditors
- develop and oversee the systems that ensure the company complies with all applicable codes, in addition to its legal and statutory requirements

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