

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.

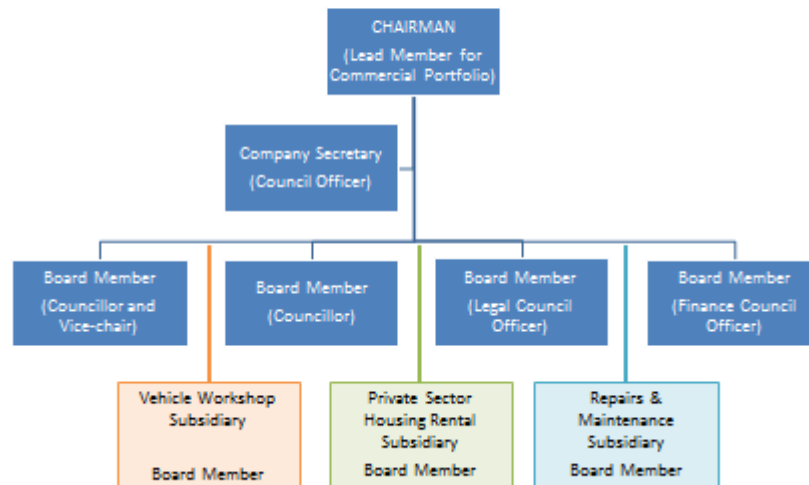
2.3.3 Governance

- 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 be 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

OVERALL LATC BOARD OF DIRECTORS



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
<p>Legal</p>	<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"> - The Local Government Act 2003 which allows local authorities to trade in the ordinary day to day functions of the council. - The Localism Act 2011 which allows local authorities to trade in any area (unless expressly prohibited or limited by statute). <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>
<p>Finance and Value for Money</p>	<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>
<p>Risk Assessment</p>	<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>
<p>Data Protection Impact Assessment</p>	<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 personal data or special category data or criminal offence data? 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 gdpr@medway.gov.uk. N/A</p>

IMPLICATIONS	APPENDIX 1
Equality Impact Assessment	<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>
Corporate Plan	<p>The information set out within this report contributes to the following Corporate Plan Objectives:</p> <ul style="list-style-type: none"> - <i>Strategic Objective 1 – Safer Gravesham:</i> <ul style="list-style-type: none"> - Pursue commercial opportunities for our Direct Services Organisation to improve our environment and generate income for vital services. - <i>Strategic Objective 4 – Sound and Self-sufficient Council:</i> <ul style="list-style-type: none"> - Commit relevant resources to implement a culture of innovation and commercial awareness, generating vital income for future services. - Deliver on opportunities for the sharing and selling of council services. - Continuously review and adapt how we deliver our services to achieve financial efficiencies and improved performance.
Crime and Disorder	<p>There are no specific crime and disorder implications resulting from this report.</p>
Digital and website implications	<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>
Safeguarding children and vulnerable adults	<p>There are no specific safeguarding children and vulnerable adult's implications resulting from this report.</p>