

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**CABINET EXECUTIVE  
12<sup>th</sup> February 2019**

**REPORT AUTHOR:** County Councillor Aled Davies  
Deputy Leader and Portfolio Holder for Finance,  
Countryside and Transport

**SUBJECT:** Local Authority Trading Company (LATC)

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**REPORT FOR:** Decision

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**1. Summary**

- 1.1 There is the potential for the council to generate additional income by trading its services to the public and private sectors. The Local Authority Goods and Service Act 1970 enables the council to trade with other public bodies as well as private sector organisations to generate a profit, however to do so the council would need to establish a Local Authority Trading Company (LATC). The LATC model is the most common vehicle used by councils to trade whilst retaining ownership.
- 1.2 Part of embracing the council's vision of 'Open and Enterprising' encompasses the need for commercial opportunities for greater income generation as well as a significant drive to reduce council expenditure.

**2. Proposal**

- 2.1 To seek Cabinet approval for the creation of a LATC to allow the commercial trading of council activities within the public and private sectors, in accordance with the included Business Case.
- 2.2 To seek approval to complete a business case to establish if the current activity within the Heart of Wales Business Solutions (HWBS) is the first area to transfer into the LATC.

**3. Options Considered / Available**

- 3.1 The options considered were:

Option 1 – To continue trading as Powys County Council, generating revenue by charging public sector bodies for services.

Advantages:

- A simple model which allows external income to be generated to cover the 'full cost' of employees involved in the delivery

Disadvantages:

- Reliant on picking up business opportunities from other public sector organisations
- Not able to take advantage of private sector partnerships to deliver business opportunities
- Limited to charging based on 'full cost recovery' to the private sector but with the ability to make a profit from the public sector

Option 2 – To create a LATC, generating revenue by charging public and private sector bodies directly for services and partnering with private sector organisations to bid for and deliver services.

Advantages:

- Able to trade at a profit with private sector clients – this is a key opportunity to develop and build the company
- Model relatively simple and straightforward to establish
- Manages the key conflict of interest issues
- Allows wider range of council employees to participate in trading activity
- Potential for profit income stream for the council
- Allows the council to grow and not fall foul of any trading rules that apply to local government

Disadvantages:

- Some conflict of interest between prioritisation of council and private business work
- Limited incentive or future opportunity for employees as potential for employee ownership is unclear

#### **4. Preferred Choice and Reasons**

- 4.1 The preferred option is Option 2 primarily because it allows the council to rely on the general trading powers available under Section 95 of the Local Government Act 2003 and therefore the flexibility to trade at a profit with private sector organisations in addition to public sector.
- 4.2 The LATC would be wholly owned by the council as a sole shareholder and would be a company limited by shares incorporated under the Companies Act 2006. This form of company has been used successfully by a number of councils, see reference list at Appendix 1.

#### **5. Impact Assessment**

- 5.1 Is an impact assessment required?                      No

## **6. Corporate Improvement Plan**

- 6.1 The council's Corporate Improvement Plan: Vision 2025 recognises the need to identify business models that may be established to meet demand pressures and reflect budget realities and to identify how services can be effectively commercialised.

## **7. Local Member(s)**

- 7.1 N/A

## **8. Other Front Line Services**

- 8.1 Does the recommendation impact on other services run by the Council or on behalf of the Council? Yes
- 8.2 The LATC will provide the opportunity to trade our frontline services so will be reliant on engagement / contribution from them.

## **9. Communications**

- 9.1 Have Communications seen a copy of this report? Yes
- 9.2 The comment from Communications is as follows:

"A brand identity for the new organisation will be required and a targeted, dynamic and long-term marketing campaign to actively promote the LATC's product offer to retain and gain new business will be needed to support the overall business strategy. This will require appropriate resourcing. Establishing an LATC will be of significant interest to the public, partner organisations and other stakeholders, therefore, the decision and subsequent developments should be communicated through all available channels".

## **10. Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)**

- 10.1 Legal: The recommendation can be supported from a legal point of view and legal services will provide the legal support required to set up the LATC.
- 10.2 Finance: Finance supports the recommendation to set up the LATC. The LATC will provide greater freedom in pricing services to private sector clients with the potential returns helping to alleviate some of the current financial pressure. The inherent risks from operating in a fully competitive environment will need to be carefully considered and managed. The creation of the LATC will allow full transparency of the profitability of commercial activities. The LATC will be an entity independent of the Council and will be required to produce its own

statutory accounts, VAT returns etc. Additional Finance resource will be required to support this, the cost of which will be incurred by the LATC.

10.3 Corporate Property, HR, ICT & Business Services: N/A

**11. Scrutiny**

11.1 Has this report been scrutinised? No

**12. Statutory Officers**

12.1 The Solicitor to the Council (Monitoring Officer) commented as follows:  
“I note the legal comments and have nothing to add to the report.”

12.2 The Section 151 Officer will make comment at the Cabinet meeting.

**13. Members’ Interests**

13.1 The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest, they should declare it at the start of the meeting and complete the relevant notification form.

**14. Future Status of the Report**

14.1 Members are invited to consider the future status of this report and whether it can be made available to the press and public either immediately following the meeting or at some specified point in the future.

Recommendation:	Reason for Recommendation:
<p><b>To approve the establishment of a Local Authority Trading Company in accordance with the attached Business Case.</b></p>	<p><b>To enable the council to trade commercially within the public and private sectors.</b></p>
<p><b>To seek approval to complete a business case to establish if the current activity within the Heart of Wales Business Solutions (HWBS) is the first area to transfer into the LATC.</b></p>	<p><b>To provide additional flexibility for the Heart of Wales Business Solutions (HWBS) to trade with private organisations.</b></p>

Relevant Policy (ies):			
Within Policy:	Y / N	Within Budget:	Y / N

Relevant Local Member(s):	
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<b>Person(s) To Implement Decision:</b>	<b>Emma Palmer / Nicola Williams</b>
<b>Date By When Decision To Be Implemented:</b>	<b>1<sup>st</sup> April 2019</b>

<b>Is a review of the impact of the decision required?</b>	<b>No</b>
<b>If yes, date of review</b>	
<b>Person responsible for the review</b>	
<b>Date review to be presented to Portfolio Holder/ Cabinet for information or further action</b>	

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**Background Papers used to prepare Report:**

**Local Authority Trading Company (LATC) Business Case and appendices**