

LWMTS Annual Report 2022/23

Cabinet Member for Finance and Commissioning, Cabinet Member for Leisure, Parks and Major Projects

Date:	10 th October 2023
Agenda Item:	4
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Key Decision?	NO
Local Ward Members	N/A



CABINET

1. Executive Summary

- 1.1 The Council is the 100% shareholder of Lichfield West Midlands Trading Services.
- 1.2 The shareholder agreement and the articles of association ensure the Council retains oversight of operations and direct control over the most important governance aspects of decision making. The agreement includes the requirement for the shareholder to receive reports on performance.
- 1.3 The Annual Report 2022/23 reviews performance over the financial year, as well as looking forward. The report also meets statutory reporting requirements set out in Section 172 of the Companies Act

2. Recommendations

- 2.1 Cabinet receive and agree the LWMTS Annual Report 2022/23.

3. Background

- 3.1 Like many local authorities, Lichfield District Council established a wholly owned trading company in 2019 called Lichfield Housing Ltd. The stated purpose of the company at the time was 'to undertake activities for commercial purposes and to trade within the district and beyond' with its focus being within housing development. While a number of sites and buildings were considered for purchase and development none were purchased, and the company did not trade.
- 3.2 In November 2021, Cabinet approved the creation of an improvement programme for the Council called Being a Better Council (BABC). Alongside a comprehensive programme of improvement for the Council itself, the programme included a review of the Council's trading activities (through its local authority trading company) to identify those areas where the Council can operate commercially and trade effectively.
- 3.3 The review identified the initial housing aspirations were niche, long term and would require significant funding. It suggested the Council focus its company on short- and medium-term activities that had an immediate impact for residents and businesses. As a result, in March 2022 the company changed its name to LWM Traded Services Ltd to reflect a change in emphasis and focus on providing a range of professional services initially to Lichfield District Council but with a view to trading them externally at some future point once established.
- 3.4 The Annual Report 2022/23 sets out how LWMTS has performed in its first full year of trading and looks ahead to the future. The report reflects on how LWMTS has delivered against the 2022/23 Business Plan which was agreed by Cabinet Member Decision. At the beginning of the year LWMTS set out to establish three main services:

- Landlord Services – acting as Corporate Landlord for the Council, managing and maintaining the 187 assets owned or leased by the Council. During the year, the team undertook 230 site inspections, negotiated 18 new leases, maintained the Council’s 18 buildings and completed 268 reactive maintenance requests
- Project Management – the Company manages all major building projects of a capital and revenue nature. This year, the team managed £1.1m of building contracts, creating 11 new offices in our new Business Hub in District Council House (DCH) and planned for a further 9 offices for tenants. In addition, it created and now runs Penni Uni at DCH, a Community Café set up to cater to the needs of Council staff, tenants and visitors to the building.
- Talent Acquisition - The Company is setting itself up, after a number of earlier unsuccessful attempts, to provide comprehensive Talent Acquisition services to the Council, and will be responsible for sourcing, attracting, hiring, and onboarding new office-based employees. A highlight for the TA function this year was recruiting the roles in the new Senior and Wider Leadership Teams of the Council using this new technique and proving it is the right way to attract talent.

3.5 The updated Business Plan (April 2023) which was agreed by Cabinet Member Decision outlines new service areas for 2023/24. Prior to the end of 2022/23, and in readiness for 2023/24, the Company agreed to expand into three new areas:

- Communications – The Council transferred management of its Communications Functions into the Company. The Council has challenged the Company to provide a more well-resourced, motivated and well-equipped service.
- Leisure Services – Since April 2023, the Company has managed the Council’s Leisure Centres. In addition the Company will project manage the delivery of new sports and leisure centres being provisioned through Community Infrastructure Levy funding.
- Disabled Facilities Grant (DFG) – Since April 2023, the Company has managed the DFG Service which has previously been provided externally. A significant backlog of applications and grant awards has been inherited as the function has transferred.

3.6 The strategy for growth for the Company is to continue to transfer appropriate services from the Council where doing so will provide the freedoms and flexibilities to offer better services to our residents and businesses, and to continue to look for opportunities to be innovative and entrepreneurial, introducing services that can contribute income or that can be traded to other organisations.

3.7 The Annual Report provides both the Company and the Council the opportunity to reflect on all that has been achieved in 2022/23 and look forward to the future.

Alternative Options	To request changes to the LWMTS Annual Report 2022/23
Consultation	A draft of the Annual Report 2022/23 was shared with Group Leaders and Deputies in August 2023 for comment.
Financial Implications	The Annual Report 2022/23 does not include any further financial burdens that haven’t already been considered by Cabinet as part of agreeing updates to the Business Plan. A summary of accounts has been provided in the Annual Report 2022/23.
Approved by Section 151 Officer	Yes

Legal Implications	<p>The shareholder agreement and the articles of association ensure the Council retains oversight of operations and direct control over the most important governance aspects of decision making.</p> <p>The Company can only act in accordance with the Business Plan. Changes to the Business Plan will require Shareholder (i.e. Council) approval.</p> <p>Directors are required to act in the best interests of the company and there is potential for conflicts of interest with their Council roles, processes are in place to manage potential conflicts.</p>
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	<p>The Company supports the ambition to:</p> <ul style="list-style-type: none"> • Be a good Council that is: <ul style="list-style-type: none"> - Financially sound - Transparent and accountable - Responsive and customer focussed
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Equality, Diversity and Human Rights Implications	There are no equality, diversity and human rights implications.
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EIA logged by Equalities Officer	No – not required
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Crime & Safety Issues	There are no crime and safety issues associated.
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Data assessment	Not required
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Environmental Impact (including Climate Change and Biodiversity).	There are no environmental impacts
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GDPR / Privacy Impact Assessment	Not required
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	There is insufficient capacity in support services to enable advice and guidance to be provided to the Company.	Severity of Risk: Yellow Likelihood : Red Impact: Yellow	No income is assumed from the Company for services provided to the Company in the Council's Approved Budget.	Severity of Risk: Green Likelihood : Green Impact: Green
B	The Council and Company inadvertently breaches Procurement (TEKKAL) /	Severity of Risk: Red Likelihood :	Appropriate advice will be taken as Business Cases are developed to ensure risks are identified together with	Severity of Risk: Green Likelihood :

	Subsidy Control / Transfer Pricing Requirements.	Red Impact: Red	appropriate risk management approaches. The Council will monitor the 20% level based on the Business Plan provided by LWMTS with a 10% warning threshold.	Green Impact: Green
C	Service standards are not achieved or fraud, corruption or financial mismanagement occurs in the Company	Severity of Risk: Green Likelihood : Green Impact: Yellow	Internal Audit will continue to have a role in assessing the suitability of internal controls as part of the Council's approach to governance oversight and financial stewardship of the Company. It will also include any Open Book' arrangements and agreement requirements for audit 'access' to records/systems and employees.	Severity of Risk: Green Likelihood: Green Impact: Green
D	The Company does not have the required support infrastructure to manage its expanded portfolio	Severity of Risk: Yellow Likelihood : Yellow Impact: Yellow	The income from leisure centres will be retained by the Council with LWMTS receiving a management fee. The Council can account for the expenditure and income through its finance system until the necessary infrastructure is in place.	Severity of Risk: Green Likelihood : Green Impact: Green
E	The Company does not have the required skills and capacity on the Board to manage its expanded portfolio	Severity of Risk: Yellow Likelihood : Yellow Impact: Yellow	As agreed in the Audit Plan, there will be an internal audit conducted in Q3 of 2023/24 on the LATCo which will consider governance arrangements	Severity of Risk: Green Likelihood : Green Impact: Green

Background documents

- Cabinet Member Decision May 2023 – LWMTS Business Plan
- Cabinet Member Decision October 2022 – LWMTS Business Plan

Relevant web links