



FY24 BUSINESS PLAN

VERSION 1 (MARCH 2024)

PERIOD - 1st APRIL 2024 to 31st MARCH 2025

Contents

1. EXECUTIVE SUMMARY	1
2. INTRODUCTION.....	2
3. BACKGROUND.....	3
4. MISSION.....	3
5. OBJECTIVES AND TARGETS	4
6. COMPANY STRUCTURE AND GOVERNANCE ARRANGEMENTS.....	4
7. ORGANISATION, SENIOR STAFF & STAFFING RESOURCES.....	6
8. RANGE OF SERVICES & DEVELOPMENT STRATEGY.....	9
9. LEGAL.....	Error! Bookmark not defined.
10. FINANCING THE COMPANY	14
11. FINANCIAL MODEL	14
12. TAX AND FINANCIAL SUPPORT	16
13. DIVIDENDS.....	16
14. CASH RETENTION	17
15. FUNDING/CASHFLOW.....	17
16. I&E, PROFIT AND LOSS, BALANCE SHEET AND CASHFLOW PROJECTION	17
17. KEY FINANCIAL PERFORMANCE MEASURES.....	18
18. SWOT ANALYSIS.....	18
19. CONCLUSION.....	19
Annex A	20
Annex B	21
Annex C	22
Annex D	23
Annex E	24
Annex G.....	Error! Bookmark not defined.

1. EXECUTIVE SUMMARY

1.1 This document sets out the Business Plan for LWM Traded Services Ltd our third year of trading, FY24 (previously FY22 and FY23) since incorporation in 2019. The plan sets out the company's vision, broad strategic objectives and financial forecasts for the year. Broadly, this includes:

- The background and changing context to the Company.
- The longer term growth strategy of the business.
- The plan for pipeline schemes and scaling of the Company.
- The profit and loss, balance sheet and cashflow of the Company for the initial two years.

1.2 The Company's strategy – which has formed the basis of the annual Business Plan - has been to develop existing Council run services and then to seek to trade those services to the (primarily) the public sector. In some circumstances this has meant needing to turn failing services around. The number, diversity and range of these services has grown since year one of trading:

- | | |
|--------|---|
| Year 1 | <ul style="list-style-type: none">• Landlord Services (inc Café)• Project Management (in relation to Capital Construction Projects) |
| Year 2 | <ul style="list-style-type: none">• Talent Acquisition• Communications• Leisure Services• Disabled Facility Grants |

1.3 LWM has become a more complex trading entity. In year 2 (FY23) its establishment grew to approximately 160 people (largely through the inclusion of Leisure Services) and alongside this its budget too. This has required the introduction and development of support services to ensure the company is appropriately managed and governed. Key 'central' support services introduced include:

- Human Resources
- Finance
- Company Secretary
- IT

1.4 Year 3 (FY24) is a continuation of company strategy in terms of a further introduction of Council services seeking to begin to trade those services the company has now been running for a year. In addition, the Board has agreed the introduction of a new Brokerage (Ecology BNG) service and is currently developing a proposal to disturb the supply of Temporary Accommodation and limited numbers of Social Housing for the Council.

- | | |
|-----------------|---|
| Year 3 services | <ul style="list-style-type: none"> • Landlord Services • Cafe • Project Management (in relation to Capital Construction Projects) • Leisure Services • Talent Acquisition • Communications • Disabled Facility Grants • Planning (Major Developments) – new transfer • Human Resources – new transfer • Ecology Brokerage – new service |
|-----------------|---|

1.5 This Business Plan demonstrates that through its current projected pipeline LWM Traded Services Ltd will:

- Make a surplus in Year 3, generating a turnover of approximately £5.19m and a surplus of circa. £398k before a payment to the Council for Corporate Services/Management Support.
- Develop external income (non-Council management fee) of approx. £1.15m.
- Provide minimum fees of approx. £127k to the Council, and a year-end dividend payment for the first time.

1.6 This Business Plan does not include or allow for any extension of service provision or factor in any growth from new business streams beyond the areas of activity identified within this plan.

1.7 The future of the business continues to be truly exciting, with the Council's activity in this area attracting recognition across the sector. There is a genuine opportunity to grow activity beyond the Council's traditional geographical boundaries and offer services to neighbouring authorities.

1.8 The Business Plan is predicated on the Council maintaining its transfer of services to the Company on a contractual basis, maintaining its 100% share ownership and retaining its initial equity investment of £225k within the business.

1.9 No further investment in, or borrowings to, the Company by the Council are envisaged again within this plan period. Should a requirement arise, this would be subject to the agreement of a separate business case.

2. INTRODUCTION

2.1 Most councils no longer rely solely on in-house operations to deliver either public services or their own internal functions. Many have used their legal powers to establish a mixed portfolio of provision involving delivery models that operate across areas including housing, adult services, place based services etc.

- 2.2 Lichfield has been bold in its use of LWM Traded Services Limited. The company is a flexible and autonomous vehicle that delivers services on behalf of its parent Council and other local authorities or public bodies, with the aim of reducing costs, generating income for the Council to support its activities and enhance service provision.
- 2.3 The number of and range of services provided by the company will be subject to individual feasibility and viability assessments prior to the commencement of any service transfer and embarking on any new commercial venture which will require Board approval. The Council will agree to any service transfers a service provision through its normal Governance procedures prior to entering into an agreement with the Company.
- 2.4 In FY23, the Board of LWM has received proposals for an agreed the transfer of elements of the Planning services and HR in its entirety from the Council. It has also approved the creation of a new Brokerage service in FY24, and to an extension of the Finance services provided by Breslins Lichfield.

3. BACKGROUND

- 3.1 In 2019 the Council established Lichfield Housing Ltd. The stated purpose of the company at the time was to undertake activities in relation to housing for commercial purposes and to trade within the District (and beyond). No sites or buildings were purchased, and no development schemes were ever undertaken.
- 3.2 The 'Being a Better Council' Programme approved by Cabinet in November 2021 included developing a revised business case for the Council's trading activities through Lichfield Housing Ltd, identifying and evidencing those areas where the Council can operate commercially and trade effectively.
- 3.3 In May 2022, in order to reflect its primary focus and aid transparency, the Council's Cabinet agreed that Lichfield Housing Ltd should be repurposed and renamed LWM Traded Services Ltd. It also agreed a small number of initial services transfers across to the company as set out in para 1.2 above. Alongside this, a growth strategy has been agreed by the Directors of the company; where further transfer of services are requested by the Council's Cabinet, these will be determined by approval of an appropriate business case by the Board.

4. MISSION

- 4.1 To support the Council's ambitions and needs through:
- Improving services where it is felt it cannot be achieved within the Council environs
 - Generating financial savings through the management of costs and optimising trading revenue

- Improving organisational efficiency and agility, providing more streamlined systems and faster delivery
- Providing more competitive employment terms and options
- Creating a social return on investment through supporting local employment, local contractors etc

5. OBJECTIVES AND TARGETS

5.1 The objectives of LWM Traded Services Ltd are:

- To provide good quality affordable services for the benefits of Lichfield District residents
- To contribute to the general fund via a contribution from the company through charges levied on it by the Council that can be re-invested in services to residents.
- To remain financially viable and operate efficiently to ensure it receives sufficient income to meet all of its costs including financing, management and operating costs.

6. COMPANY STRUCTURE AND GOVERNANCE ARRANGEMENTS

- 6.1 The development of an arm's length wholly owned services company has allowed for a more flexible and commercial response in order to improve 'value for money' and the efficiency, effectiveness and quality of services provided by and to the Council whilst also providing a capability to accelerate and deliver capital projects and potentially housing supply (see new TA/ Social Housing development service under consideration.
- 6.2 The Localism Act introduced a new 'power of competence' which has increased the Council's ability to act innovatively including creating service/development companies.
- 6.3 As a company it can undertake and borrow money if required to finance schemes either via the Council or could, if necessary, borrow directly from banks and institutional investors.
- 6.4 The company is one limited by shares (CLS) which is considered the most appropriate form of vehicle.
- 6.5 The Council is the sole shareholder of LWM Traded Services Ltd and has ultimate control of its business activities.
- 6.6 The Company has been established in accordance with the Companies Act 2006 including the appointment of a Board for the Company. The Memorandum and Articles of Association is in a standard form.

- 6.7 A sound and robust governance structure of the company was put in place during FY23. This structure will be further enhanced in FY24, following an internal audit by the Council, the recommendations of which are pending.
- 6.8 As sole shareholder the Council appoints the directors (which may include elected representatives of the Council in an executive or non-executive capacity), approves the business plan and other key decisions such as additional borrowing beyond those agreed in the Business Plan. Regular reviews with the shareholder representative will continue to be undertaken.
- 6.9 Through the appointment of Directors with appropriate skills and a Managing Director, the Council is delegating the day to day commercial operation of the business and the delivery of the Business Plan to those individuals within a framework agreed by the Council. This will include:
- Entering into contracts for services
 - Agreeing the terms of funding and terms and conditions
 - Resourcing the company to meet the business needs
- 6.10 The flowchart at Annex A gives an overview of the governance arrangements for LWM Traded Services Ltd. Annex B is a copy of the Company's Memorandum and Articles of Association, and Annex C is the Shareholders' Protocol Agreement.
- 6.11 Any loans entered into will be documented within a loan agreement which sets out the deals and the terms of any funding arrangements between the Council and the property company. No loan requirements are anticipated in FY24.
- 6.12 The Council will control the company at a strategic level with Directors tasked with managing the company within a framework and through delegated authority as set out in the shareholder's agreement.
- 6.13 In addition, the Company will be governed via a series of operational documents that will be approved by the Council, namely:
- The annual Business Plan of activity, outlining the Company's planned operations. Achievement of the Business Plan will be reviewed regularly (at least annually through the annual report) and cover the following:
 - a) Company objectives
 - b) Governance arrangements
 - c) Operational plans
 - d) Financial models and assumptions
 - e) Operational expenses
 - f) Funding profile
 - g) Profit and loss, balance sheet and cash flows

Together with operational policies relating to:

- a) Scheme of Delegation
- b) Other Policies

- 6.14 The Chairperson of the Company as nominated by the Council is Cllr Alex Farrell. The Board also consists of the Managing Director, Simon Fletcher, who is currently the Councils Chief Executive and Kerry Dove, the Councils Chief Operating Officer, who sits on the Board in a non-executive capacity.
- 6.15 Supporting the Board as part of the Senior Leadership Team is Ian Gardner of Breslins Accountancy Services acting as Company Secretary, Andrew Rowbotham Operations Director and with Paul Breslin who operates as Finance Director.
- 6.16 Each of the business streams is headed up by a dedicated Manager, managing a team of people responsible for delivering the service within an agreed budget and to expected service standards.
- 6.17 As the company continues to evolve the company structure will be reviewed to ensure it is fit for purpose and consideration may be given to the introduction of a full time Managing Director and the development of a Group structure where appropriate.

7. ORGANISATION, SENIOR STAFF & STAFFING RESOURCES

- 7.1 Year 3 (FY24), the period of this business plan, will see the company start to increase revenue from external sources and reduce its reliance on management fees from the Council. Those services which are now well established are best placed to do that and will provide the majority of external revenue.
- 7.2 New services will transfer into LWM from the Council; the challenge for these services will be in transforming them and making them fit for purpose, capable of being traded in the future. In addition, a new service (not transferred from LDC), the Ecology Brokerage, will be launched.
- 7.3 Year 3 services are:
- Landlord Services
 - Cafe
 - Project Management
 - Leisure Services
 - Talent Acquisition
 - Communications
 - Disabled Facility Grants
 - Planning (Major Developments) – new transfer from LDC
 - Human Resources – new transfer from LDC
 - Ecology Brokerage – new service

- 7.4 The Company's staffing structure to manage and deliver these services is included at Annex D.
- 7.5 As outlined above **Simon Fletcher** is MD of the company. Simon is Chief Executive and Head of Paid Service for Lichfield District Council. Simon has held a number of Director roles within the public sector (Windsor & Maidenhead, Richmondshire, Hambleton and the Falkland Islands) and the private sector where he was a Partner at Agilisys. Simon fulfils the Business Development role and runs the business day to day.
- 7.6 The Operations Director (**Andrew Rowbotham**) is responsible for the Landlord Services, Project Management and, from 1 April 2024, Leisure Services and Disabled Facilities Grants business streams. In addition, Andrew will have responsibility for the catering and café services provided at the Council's Frog Lane offices. Andrew has worked both within the public (Local Government and the NHS) and private sectors (Interserve, ISS and Go Green) in Senior Estates and Project Management roles.
- 7.7 Within this role he is responsible for overseeing and maintaining the Council's property estate ensuring it is fully compliant with all necessary statutory regulations, well maintained as well as being responsible for all building and project works (including negotiations, appraisal, contracting and interaction with third parties, contractors, consultants etc). There will be an ongoing refurbishment, development and construction programme to oversee and commercial decisions to be made. Andrew will work in partnership with both community and private sector organisations.
- 7.8 **Helen McKenzie** heads up the Project Management team. With her are a RICS (Royal Institute of Chartered Surveyors) qualified Senior Surveyor and a Project Manager who are responsible for seven staff consisting of surveyors and other supporting personnel.
- 7.9 **Sarah Sleigh** is responsible for managing the Leisure Services Business Stream. Sarah has worked for Lichfield District Council for a number of years and managed the Leisure Services transfer to LWM and its first year of trading (FY23). Approx. 140 full and part time staff are now employed by the Company across Burntwood and Friary Grange Leisure Centres.
- 7.10 Talent Acquisition is delivered by our TA Lead, **Hannah Fox**. Hannah joined LWM in the summer of 2023 with a 20-year background in recruitment through acquisition. She has worked closely with Jane Dukes in the first year, putting in place processes, developing relationships with managers in the Council and started to develop a pipeline of contacts with individuals we may be interested in attracting in the future.
- 7.11 The Communications Service is headed up by **Tracy Cross**, who joined the company in April 2023. Tracy has held a number of Director and Senior Management Marketing and Sales roles within the public sector (Lichfield DC), charitable (PDSA) and private sectors (OHS, PHS, Connaught Plc). This service provides all the key digital and print communications services to the

Council as well as developing a growing sponsorship activity, which provides important funding to LWM.

- 7.12 Disabled Facilities Grants, entering its second year of trading activity, is headed up by **James Knott**. James joined the company in 2023 and led the team to an exceptional performance in FY23, where they were awarding approx. £100k of grants a month and completed in excess of 115 adaptations for district residents. In the DFG Service is James as Delivery Manager and a team of three staff managing the service which includes two case workers and a technical officer. The team will work closely with Staffordshire County Council who provide the necessary Occupational Therapy and Adult Assessment Services.
- 7.13 The new Planning Consultancy services, launched on 1 April 2024, will be headed up by **Artemis Christophi**. Artemis has overseen the transformation of the Council's planning services over the last 12 months. Through her role, she will manage both those components of the planning service that remain in the Council (minors and up to 30 dwelling developments) and the Planning Consultancy and management of major development applications / s106 agreements through LWM. Artemis is an award-winning planner with a national reputation, ambitious to help the company prove that planning can be done differently.
- 7.14 Human Resources is led by **Jane Dukes** who also joined the company in 2023. During FY23, Jane led the tupe activity for staff moving into the company from Freedom Leisure and from the Council. In FY24 her role will expand to lead the Council's HR function which transfers in, in April. Jane Dukes a Member of the Chartered Institute of Personnel Management. Jane has been a HR Consultant for a number of years but has also held a number of Senior HR roles in Local Government (South Derbyshire, Cheshire, Derby, Leicestershire CC, Birmingham CC), Central Government (HM Courts & Tribunals), the NHS (Birmingham Community Healthcare, Royal Orthopaedic Hospital NHS Trust) and the private sector (Agilisys).
- 7.15 The new Ecology Brokerage will be headed up by **James Porter** and launched on 1 April. He will provide a key brokerage service (connecting landowners and housing developers to deliver biodiversity net gain (BNG) in accordance with the Environment Bill 2020), and deliver BNG schemes on the councils own land. James is an experienced ecologist who ran his own consultancy company for the last 12 years.
- 7.16 The Company's procurement requirements will possibly include:
- Client representatives/employers' agents.
 - CDM (Construction Design Management).
 - Architects/engineers.
 - General Building and Property Maintenance contractors
 - Leisure Services
 - IT services

The Company is subject to the public contract regulations in relation to procurement where applicable.

7.17 Where specialist support is required in fields such as Data Protection, Payroll Services, IT etc these services are 'bought in' from third party providers the costs of which have been reflected in the budgets/business plan.

7.18 As the Company grows the staffing requirements will be kept under constant review to ensure that the necessary qualified and experienced staff are recruited to meet the Company's needs.

7.19 All operational costs of the Company (including all staff costs) are allowed for and included within the revenue budgets.

8. SERVICES DEVELOPMENT STRATEGY FY24

The following services will be **managed and overseen by the Operations Director** in FY24. The Operations Director will report to the Managing Director and the Board as necessary, with the ability to take decisions as set out in the Company's operational procedures and scheme of delegation.

LWM Landlord Services

8.1 LWM will continue to oversee and maintain the Council's property estate, ensuring it is fully compliant with all necessary statutory regulations and well maintained, as well as being responsible for all building and project works (including negotiations, appraisal, contracting and interaction with third parties, contractors, consultants etc).

8.2 The ongoing refurbishment, development and construction programme within DCH and other Council assets will continue this year. The team will oversee the leasing of Council owned properties, the principal aim being no void properties (including full occupancy of DCH) and commercial rental rates received across the estate.

Penni Uni Café

8.3 The café at DCH (Penni Uni) has grown in popularity and patronage during FY23 as the team has broadened the menu and improved communications with users of the building. There is clearly a key cohort of regular users of the café, not sufficient to cover the ongoing costs of the activity. As a consequence, this is one activity which has been an unplanned net cost during the year and this needs to be addressed in FY24. The café must at least break-even. The Operations Director is tasked with ensuring this is possible and/or bringing forward proposals for alternative provision of the activity.

LWM Projects

- 8.4 LWM manages capital projects on behalf of the Council to ensure they are delivered on time, on budget and to the required standards and specifications. The team will provide its Project Management capabilities to support the DFG team and help design, cost, deliver and oversee any works required. In addition a number of Parish Councils, other public and third sector bodies lack the resources and capabilities to undertake and oversee capital works and the Company will seek to provide its services to these types of entities – an example of this is the work currently underway supporting the development of new community facilities for Streethay Parish.
- 8.5 The Project Management team will grow in FY24, in recognition of the large volume of projects currently being delivered by the service. Our intent in this new year is to build on the progress made and to extend the activity further so that it can generate additional external revenue. This will hopefully mean more work for Parish Councils and Bromford and a step into the commercial market. The income target for this activity in FY24 is set at £50k.

LWM Leisure

- 8.6 LWM Leisure manages both the Friary Grange Leisure Centre and Burntwood Leisure Centre which offer a range of swimming, gym and sporting activities. Friary Grange and Burntwood Leisure Centres offer similar provision with both having a swimming pool, squash courts, sports hall and all-weather pitches whilst also offering gym classes.
- 8.7 Investment in the facilities, improved marketing and an increased range of services and leisure opportunities has seen an increase in both patronage and income. Patronage of the Leisure facilities grew in FY23 (approx. 1200 new members), with revenue for the activity also rising, by approx. 10% on the previous year.
- 8.8 The £1.55m of CIL funding Council has agreed to invest to develop a range of sports and leisure facilities is beginning to see benefits. The soft play area in BLC is proving incredibly popular, and the tennis / netball courts have now been resurfaced. Next to come online, in FY24, will be Padel Tennis and a climbing wall. These new activities, once all completed, will generate approx. £400k of new income for the Council. LWM has managed this investment programme on behalf of the Council and will oversee the ongoing operation of the facilities through its contractual relationship with MicroSports a multi-sport coaching and sports facility management business.
- 8.9 An important part of FY24 activity for LWM Leisure will be supporting the Council's major projects team to bring forward the new leisure centre in Stychbrook Park. This new centre will launch in FY25, and our expectation today is that LWM will be asked to operate alongside Burntwood LC in the long term. It is important we therefore play an active role in the internal layout of the centre to ensure we can maximise revenue for the Council from it once opened.

- 8.10 In parallel to this, our priority in FY24 is to maintain the progress we have made with the existing leisure centres since they transferred to LWM in April 2023. Further growth in memberships and revenue is expected, alongside a review of the structure / size of the team and reliance on casual workers and active support in embedding the new activities we have generated through partnership with Micro-Sports.

LWM Disabled Facility Grants

- 8.11 The Council has a statutory duty to administer Disabled Facilities Grants (DFG's) which are available to help fund the cost of adaptations to homes. This is a means tested scheme which considers an applicants' income, savings and capital and may require a financial contribution. To qualify for a grant an assessment is conducted by an occupational therapist who will recommend the type of adaptations which best meet the needs of the applicant. LWM Disabled Facilities Grants manages the scheme on behalf of the Council including applications from owner-occupiers and those made by Landlords on behalf of tenants. The Company will also design, cost, oversee and deliver works through to completion.
- 8.12 In FY23, we began undertaking this processing activity for Bromford, one of our major social housing providers. Our intent is to grow this activity in FY24 and an income target of £50k has been set for this purpose.
- 8.13 The Disabled Facilities Grants will continue its significant progress made in FY23. The 'run rate' of allocating £100k of grants per month must be maintained. Alongside this, the expectation is that completion rates for adaptations will be sped-up, to ensure those accessing this service are receiving grants and adaptations in their homes as quickly as possible.
- 8.14 Alongside maintaining the service to the Council, the team is tasked with generating additional external income from the activity. The best opportunity to achieve this is by providing a DFG service to neighbouring councils and social landlords.

The following services will be **managed and overseen directly by the Managing Director** in FY24.

Talent Acquisition

- 8.15 It is expected the Talent Acquisition will develop significantly in FY24. All activity to date has been focussed on a single client, the Council. The challenge in this new year is to continue to provide that service to the Council while taking the learning from 2023 into a trading proposition for clients in the public and private sectors. In FY24, we have set an income target, from externally sourced work, of £20k.

Communications

8.16 LWM provides marketing, branding and communications services to the Council managing, planning, designing, producing, delivering and generating:

- strategic marketing and communication campaigns
- social media and engagement strategies
- digital and printed newsletters,
- podcast and vodcast strategies and campaigns,
- event communications
- tourism marketing and advertising
- resident and local business engagement forums and surveys
- website development

8.17 The objectives for the Communications Service this year are to strengthen the capabilities and capacity of the team, in particular in the written media, digital design and visitor economy areas. This will give the Communications & Marketing Director capacity to further develop sponsorship and advertising activity she has launched in 2023. The income target for this activity in FY24 is set at approx. £280k.

Planning Consultancy

8.18 The focus for the new Planning Consultancy services this year will be to recruit and embed a team of commercial planners, capable of delivering a significantly improved 'majors' service to the Council. Once we have achieved this and the new team is working well, we can start to develop the consultancy proposition and engage with other LAs over their planning support needs. Alongside this, the Planning Director will need to ensure the continued improvement of the Council's in-house service which she will also manage.

Human Resources

8.19 The Human Resources team has another busy and challenging year ahead. Bringing over the Council's HR function is a significant step forward in improving the service received by Council staff, however, the transfer alone will not guarantee that. The HR Director will need to focus on creating a team capable of providing quality HR services to both LWM and LDC staff. This will potentially require a rethink of the structure of the new combined service. Given the size of this challenge, and the potential risk of not getting it right, responsibility of the TA function will temporarily move to the Managing Director for FY24.

Ecology Brokerage

8.20 The aim of the first year of trading for the Ecology Brokerage will be to establish the service with local planning organisations (including LWM and the Council), housing developers and landowners across the district so it can begin to be recognised as a partner of choice in this space. In addition, the Ecology Director will be tasked with picking up and delivering existing BNG scheme previously managed within the Council.

Potential Opportunities - Temporary Accommodation / Social Housing

- 8.21 The Leader of the Council has asked LWM to consider and develop a proposal for the introduction of a new service, responding to the needs for additional in-district Temporary Accommodation and Social Housing.
- 8.22 In the first quarter of FY24, the Operations Director will develop a proposal setting out how the company can support the Council with this growing priority. The proposal will set out the opportunity for LWM to develop temporary accommodation or social housing on behalf of Council and provide landlord / management services for properties it brings forward, using Council funding.
- 8.23 In addition, there are a number of the more traditional Place Services such as waste, grounds maintenance and street cleaning where the traditional 'insource' and 'outsource' models of delivery are being reviewed and which may present opportunities for the LATCO model of delivery and the use of LWM Traded Services Ltd.
- 8.24 Any potential growth and new service opportunities would be subject to a feasibility/viability assessment being undertaken beforehand and approval by the Company's Board and its Shareholder.

9. Legal

- 9.1 Legal advice has been provided by Trowers & Hamblins with regard to the establishment of the company and its status.
- 9.2 LWM Traded Services is identified as an exempt organisation under the Teckal Exemption and as such services can be undertaken between the Council and the company without the requirement for a procurement phase and the need for competitive tendering.
- 9.3 The Teckal Exemption recognises where a contracting authority contracts with a company that it owns, the position is not that different from the services being provided in-house. For the Teckal exemption to apply three conditions must be met:
- The Council exercises over the LATCo a control that is similar to that which it exercises over its own departments
 - As a minimum 80% of the activities (by revenue) of the LATCo are carried out in the performance of tasks contracted to it by the Council
 - There is no direct private capital participation in the LATCo
- 9.4 The Council Contract procedure Rules identify that transferring services to a Teckal exempt organisation is automatically exempt from procurement requirements.

- 9.5 As the company continues to grow and develop its status with regard to Teckal will need to be reviewed, considered, monitored and reported to the shareholder.
- 9.6 The Company will enter into contracts with the Council for the provision of those services that it provides and also for the major and important services that it buys in.

10. FINANCING THE COMPANY

- 10.1 The business case is predicated on the basis that the company will fund its services through a mixture of management fees from the Council and self-generated from its trading with other entities.
- 10.2 As in FY23, it is assumed the Council will continue to pay for the services provided to it quarterly in advance and for all other services within 14 days of invoice.
- 10.3 Financial modelling for the Company has been predicated on there being no overall cost to the Council over the life of the Business Plan and for a surplus to be generated pre Council charges.
- 10.4 No borrowing is envisaged going forward.
- 10.5 Should new opportunities, not set out in this business plan, arise requiring funding these would be subject to approval of separate business cases and treated on a 'case by case' basis and brought forward to the Board and the Shareholder as and when they arise.

11. FINANCIAL MODEL

- 11.1 In order to ensure the LWM Traded Services Ltd business is sustainable, the financial projections in the Business Plan will be closely and regularly monitored. There are a set of core assumptions applied to the model which are based upon prevailing market conditions, judgements based on comparators and industry wide standards or norms.
- 11.2 These core assumptions are as follows:
- This is a one-year business plan – covering the period 1 April 2024 – 31 March 2025.
 - The Company is not seeking to borrow monies from the Council or drawdown on any potential funding from it.
 - Insurance costs – have been assumed the company insurance will remain part of the Council's overall policy as a result of the company being 100% owned by the council. A budget of £30k has been set aside for this cover.

- Inflation – the majority of the company’s costs are associated with salaries and in this respect an inflationary uplift of 3% on management fees has been agreed with the Council’s Finance Director and s151. This inflationary increase was approved by Full Council on 27 Feb 2024, as part of the Council’s annual budget / MTFS update.
- As the company is VAT registered its charges reflect the standard rate of taxation.
- The costs for Landlord Services reflect the costs of staff transferred to the Company from the Council. This service is operated at cost and the company does not receive any uplift or margin on the agreed transferred budget.
- The budget transferred from the Council for the Communications Team assumed that savings/benefits of £89k would be achieved in 2023/24. These savings were achieved. The budget for Communications therefore assumes that the business stream costs are in line with the reduced transferred budget and that income will be generated for advertising to offset any impact.
- The Council has allocated £1.55m of CIL funding for the development of new leisure and sports facilities such as the Aqua Park, Climbing Wall and 3G pitch over a 2 year period. The Company will administer this fund on behalf of the Council – but the funding itself will remain with the Council - and through its association with MicroSports a sports facility management business construct, set up and operate the facilities.
- The current level of new grant funding available to the Council for DFG in FY24 is £956k. Additionally, any underspend in FY23 will be carried over and spent on this activity this year.
- LWM Leisure is operated on a Managed Service basis under a gross cost contract model where the Council pays the Company a specified sum to provide a specified service. Under this arrangement the Council retains all the income and assumes any income risk, retains responsibility for the costs of building maintenance and the Company charges an agreed fee for managing the service as set out in the budget/business plan.
- Talent Acquisition and Project Management generate fees from a mark-up on the agreed salary for any vacancies filled and a mark-up on the construction / building costs of any projects undertaken. For budget purposes it is assumed commissions for c£3.4m of building/construction works will be completed in year.
- The budget transferred from the Council for the Planning Service – the Council’s management fee – is constructed of two elements; c£182k from previous planning salaries and £75k from planning income.
- The budget transferred from the Council for the Ecology Brokerage service – the Council’s management fee – is derived from S106 and BNG funding. This

is a one-year seed funding from the Council. Year two onwards will be funded by LWM generated revenues.

- The budget transferred from the Council for the Human Resources service – the Council's management fee - is derived from previous HR salary and related revenue budgets.
- Corporate Charge/Management Service Charge will be negotiated with and determined by the Council year on year and no set allowance/amount is included within the budget. All figures are based on a surplus pre any adjustments for a service/management charge.

12. TAX AND FINANCIAL SUPPORT

- 12.1 LWM Traded Services Ltd may be subject to various different taxation regimes, including Stamp Duty Land Tax (SDLT), Corporation Tax and VAT.
- 12.2 SDLT will only apply if the company acquires any land/buildings which is only envisaged if the Temporary Accommodation / Social Housing project proceeds.
- 12.3 Corporation Tax has not been included within the model as it is assumed that the Company will make little or no profit once the Council levies any charges for services it provides, and a dividend payment is made. A dividend policy will be developed in consultation with the Council in Q1 of this year.
- 12.4 No provision has been made for capital gains tax as it is not envisaged that this will apply as the Company will not be disposing of assets.
- 12.5 The Company is registered for VAT. An allowance has not been made for VAT payments within the cash flow model as it is assumed to be a flow through (cash in/cash out) within the accounts.
- 12.6 The Company will obtain appropriate external advice with regard to its accounting affairs. Any changes in legislation and/or tax treatment/accounting may affect and change business planning assumptions.
- 12.7 The Company is self-sufficient and supporting with its own distinct bank account and locally appointed auditors and accountants.

13. DIVIDENDS

- 13.1 Any surplus funds/profits will be paid to shareholders through the use of Dividends.
- 13.2 Any cash sums available for Dividends will be affected by any management / service charges levied by and agreed with the Council, loan repayments and taxation and the amount of cash to be retained by the Company for ongoing business requirements and re-investment.

- 13.3 The Council as shareholders will give the Company a steer in terms of their aspirations with regard to any charges to be levied and/or for any dividends. Formally each year LWM Traded Services Ltd will agree with the Council the extent of any payments with regard to any charges made and/or recommend to the shareholder the level of Dividend.

14. CASH RETENTION

- 14.1 In order to ensure the Company has sufficient funds in place to meet its day to day obligations a minimum amount of cash, to be determined by the company at its year end, will be held by the company before any payments are paid to the Council in respect of any charges or dividends.

15. FUNDING/CASHFLOW

- 15.1 It is assumed that the Council will be the primary source for any funding.
- 15.2 The Council's previously provided c£225k by way of 'seed funding' remains part of the company current account balance sheet and sits on the balance sheet as equity shares. The previously agreed working capital loan facility of up to £150k has been withdrawn by the Council at the request of the directors of the company.
- 15.3 It is assumed the Council will continue to assist in 'cashflow funding' by allowing the company to invoice and be paid for a number of its services namely Corporate Landlord, Communications, Planning, HR, Leisure, TA and DFG quarterly in advance and to be paid for all other services within 14 days from receipt of invoice.
- 15.4 Any further funding will be by way of a separate application to the shareholder and subject to the approval of a specific business case.

16. INCOME & EXPENDITURE (I&E), PROFIT AND LOSS AND CASHFLOW PROJECTION

- 16.1 Financial projections for FY24 have been provided at Annex E and F and reflect the assumptions made within this Business Plan. A balance sheet will be provided at year end (FY23).
- 16.2 At year end a full set of accounts (including P&L and Balance Sheet) will be prepared by an independent, qualified firm of accountants independent of the Council.
- 16.3 The financial models show that based on the assumptions used, the business will generate a surplus in FY24, allowing the Council to make a charge and/or take a dividend.

17. KEY FINANCIAL PERFORMANCE MEASURES

17.1 A variety of measures to measure the financial health of the Company will continue to be utilised, namely:

- Breakeven – As a minimum the Company is expected to breakeven although it is anticipated the company will achieve a surplus in FY24.
- Return on capital employed which looks at the profit against the combined equity and debt capital invested in the Company. This is regarded as a good measure of the business as it looks at how effectively debt is being used and is calculated as earnings before interest and tax (debit) / Assets – Liabilities (non-current).
- Profitability (profit on cost – POC) which demonstrates the profit of the business over its cost. This will be a measure of gross profitability before the deduction or agreement to the payment of any charges to the Council.
- The Company's accounts may need to be consolidated within the Council's group accounts and as such will need to be produced in sufficient time and use agreed accounting standards to enable the achievement of the Council's statement of account deadlines and completion of the external audit in line with regulatory requirements.

18. SWOT ANALYSIS

18.1 The following is a summary of the key strengths, weaknesses, opportunities and threats to LWM Traded Services Ltd:

Strengths:

- Ability to secure funding at competitive rates
- Council support
- Council can provide a base load of activity in order for business to establish itself

Weaknesses:

- The Company cannot over rely on the Council as any change in circumstances may have a material affect
- Lack of resource the Company will need to bring in additional skilled resources should it wish to take on additional services or grow current services
- Teckal regulations provides limited protection as privileged supplier

Opportunities:

- There are a number of opportunities for the Company to take over and run other services
- Income generation for the General Fund
- Opportunity to sell services to other councils

Threats:

- Any future government change in the view of council companies / prudential borrowing.
- Changes in Administration and political priorities
- Downturn in economy
- Increase in interest rates.
- Legal challenge over 'state aid'
- Increase in business may impact on the company's ability to avoid competitive tendering to the Council

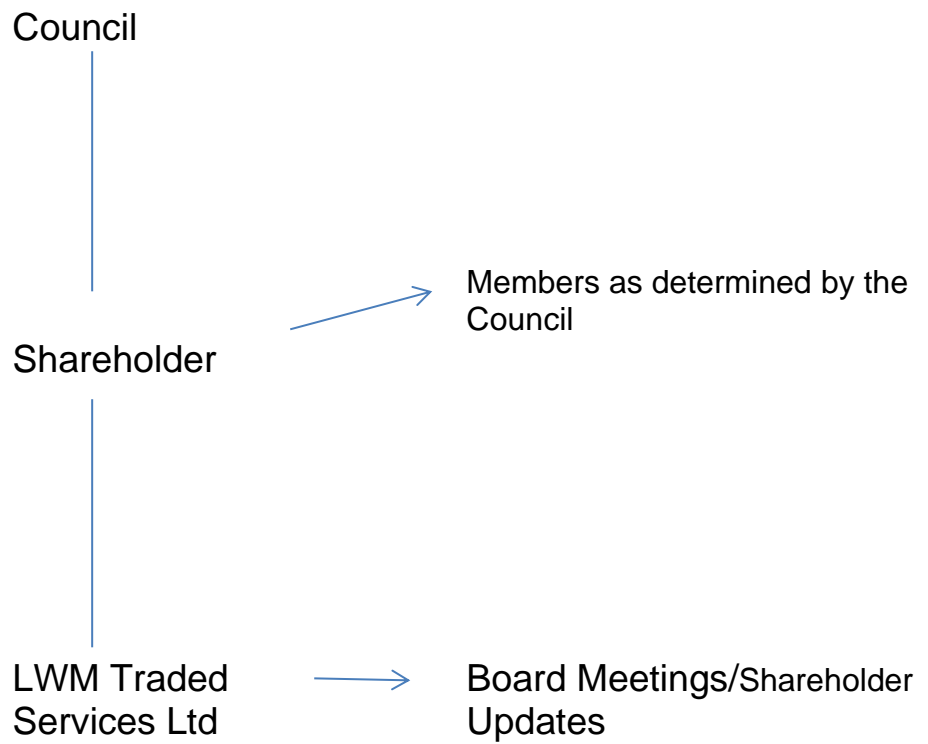
18.2 In response to the above, it is believed that the Company is well positioned in the short term and can manage any significant market downturn in that it:

- has no borrowing requirement.
- has a stable and protected Council workload
- can reduce costs, if necessary, in response to reduced workload
- has a potential to increase income

19. CONCLUSION

- 19.1 Through the ongoing effective development and operation of LWM Traded Services Ltd, the Council has the opportunity to provide a different model of delivery for a number of services that could reduce costs and generate additional income that can be used for the benefit of the Council and residents in future years.
- 19.2 Whilst the Business Plan has identified an extended number of opportunities and possibilities (existing and new) there is no certainty that all will continue or be successful. The Company will need to monitor changes in the political landscape both locally and nationally alongside other factors and risks including wider economic changes in interest rates and inflation (particularly wage inflation).
- 19.3 LWM Traded Services Ltd provides an additional route to provide Council Services within the district. This Business Plan sets out the framework that will provide the Council the opportunity to support the development of a more cost-effective delivery vehicle for a number of Council services and provide additional income that the Council can use to invest in services to residents.

GOVERNANCE ARRANGEMENTS



MEMORANDUM AND ARTICLES OF ASSOCIATION

See Separate Documents B1 and B2

SHAREHOLDER AGREEMENT

See Separate Document C1

STAFFING STRUCTURE

See Separate Document D1

PROFIT & LOSS

FY24

Turnover	£5.19m
Op Costs	£4.79m
Interest Charges	£0
Corporate Charge / Dividend	£TBC
Surplus	£398k

Excluding Vat

Prior to any agreed deduction of Council Management Charges/Fees and Dividend

INCOME & EXPENDITURE

See Separate Document F1 for the Income & Expenditure projections for FY24

