

**Report of Head of Finance**

**Options for future trading companies**

**1 Purpose of report**

To present members with the progress on developing options on the corporate structures and delivery vehicles available to the council, particularly trading companies for the commercial operation of services.

**2 Executive summary**

This committee received an update on the crematorium project in December 2014 which included the issue of future service delivery options to maximise income from the investment. The committee resolved to agree to commission expert tax and legal advice on the operation of the crematorium with a view to reporting back on the creation of an arms length trading company.

Trowers Hamlin and KPMG were jointly procured to provide a report on the options regarding the operation of the crematorium and also the scope for further companies to be used in the future, in particular in relation to the property management and development of council assets focussing initially on Croyland Hall and Abbey.

This report highlights the progress to date and the next steps necessary to review and agree the options available to the council for the short, medium and long term potential structures and service delivery vehicles for the future.

**3 Appendices**

None

**4 Proposed action:**

**The committee is invited to RESOLVE to:**

- 4.1 NOTE the content of the report;**
- 4.2 AGREE to the presentation of the findings of the Trowers Hamlin and KPMG report in the summer of 2015 (date to be confirmed), which will set out the options for discussion;**
- 4.3 AGREE that officers undertake further legal and tax research on the options contained in the report and presentation, and to prepare outline business cases based on the council's preferred option which addresses those considerations;**
- 4.4 AGREE to receive a report, containing information of a commercially sensitive nature later in the year which outlines the results of the findings and presents an outline business case for the preferred option, including an implementation timeline.**

## **5 Background**

- 5.1** The Crematorium update report to this committee in December 2014 stated that, having now agreed the design of the crematorium the council was at a point where it can progress the project further. One of the next actions proposed was to consider creating a trading company to allow the council to operate the crematorium at arms length, whilst gaining the benefits of a profit-making business to provide a revenue income stream which will support related council services.
- 5.2** The committee agreed for officers to investigate this further and to gain both legal and tax advice on the potential options.
- 5.3** The Crematorium is only one of a number of projects the council has underway that will generate income for future years. With this in mind officers widened the scope of the investigation to cover other potential commercial operations, such as the private rental income from Croyland Hall and Abbey once converted to apartments.

## **6 Discussion**

- 6.1** The Head of Finance commissioned the services of Trowers Hamlin and KPMG to outline the legal and tax considerations of creating a wholly owned trading company. The brief was extended to include potential structures that could be considered at a future date so that members could make a decision with sufficient information of, not only the short term measure of creating a company for the crematorium, but for the future benefits that other similar companies for different services may bring.
- 6.2** Towers Hamlin and KPMG have met with all Heads of Service to discuss the options and a draft report of their findings has been produced.
- 6.3** The report is a technically complex document that outlines numerous legal and financial implications for a variety of options and will be shared with members once it has been finalised. Due to the complexity of the options and content of the report, a presentation by Trowers Hamlin and KPMG is being arranged for members in the summer of 2015. This will allow members the opportunity to understand the various options available and to ask questions of the experts, as well as Heads of Service. A date is being arranged for this presentation.
- 6.4** All potential options in the report can be implemented in a phased approach as the council progresses its commercial approach. The initial stage of all options, however, would be to agree the creation of a company for the crematorium. Any additional companies or variations to structures can be further appraised and reviewed at a later stage of the implementation, once members have decided on their preferred operating model.
- 6.5** As part of the further investigations following the presentation to members, the

Heads of Service will develop an outline business case for the initial implementation of structures, with the creation of a crematorium company as the first step. This will be presented back to this committee later in the year for agreement.

## 7 Legal powers

The Localism act 2011

## 8 Financial and value for money implications

- 8.1 The creation of a commercial company would have financial advantages of being able to generate a profit. However, as with all companies, this profit would be subject to companies taxation. The financial implications will be further explored as part of the development of a business case.

## 9 Risk analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
The council does not create a company for the Crematorium	The crematorium would not allowed to generate profits	Low	A full business case to be prepared for this option.
The council does not create a company to manage its redeveloped residential letting site	The council would not charge private sector rentals and income would not be as projected	Low	A full business case to be prepared for this option
	The council could become a social landlord again and have to account for its property as such, with the potential of tenants having the same rights over property as with other local authority social landlords	Low	

**10 Implications for resources**

It is likely that some further restructuring of core staffing structures will need to be considered alongside the work on potential company options.

**11 Implications for stronger and safer communities**

None at this stage

**12 Implications for equalities**

None at this stage.

**13 Author and contact officer**

Liz Elliott Head of Finance

**14 Consultees**

Head of Resources  
Head of Local Planning and Development  
Chief Executive

**15 Background papers**

Previous committee reports on the Crematorium