



Reshaping Services

Catering

Local Authority Trading Company Business Plan

February 2017

Contents

Vision, Mission Statement, Values & Strategy	3
Vision	3
Mission Statement	3
Values	3
Strategy	4
Marketing & Branding.....	4
Marketing	4
Market Needs	7
Branding	7
Service Offering	8
Management & Organisation.....	8
Leadership	8
Leadership Team Profile	10
Employment Implications	11
Income & Commercial Opportunities.....	11
Income	11
Commercial Opportunities	14
Vending	15
Buffet Service	16
Mobile Catering Unit	19
Coffee Shop.....	22
School Meal Uptake	22
Budget	24
2016/17	24
Staff costs	25
Premises Costs.....	25
Transport Costs	26
Supplies and Services.....	26
Central Recharges	28
Financial Implications.....	28
Financial Summary.....	29
Council Investment.....	29

Project Savings	30
Legal & Governance	31
Legal Implications	31
Governance	32
Assets.....	35
Council Implications	35
Responsibility of Schools	36

The Business Plan will explore how the Local Authority Trading Company could work and will focus on 11 key areas: Vision, Mission Statement, Value and Strategy, Marketing & Branding, Service Offering, Management & Organisation, Employment Implications, Income and Commercial Opportunities, Budget, Legal & Governance, Assets, Council Implications and Schools Implications.

Vision, Mission Statement, Values & Strategy

Vision

The Company will be the principal catering contractor within the Vale of Glamorgan Council, offering catering services to internal and external customers. The Company will support a commercially trained workforce promoting and delivering opportunities for everyone to develop, learn and succeed.

Mission Statement

To be an innovative, proactive Company providing a quality service to all our customers, offering locally sourced ingredients and value for money.

Values

- Giving best value for agreed quality
- Never compromise on the health and safety of our customers, clients and staff
- Openness, transparency, trust and integrity for all customer relationships
- Secure the continued loyalty by demonstrating a tailored service providing a range of choice and solutions for our customers and clients
- Providing nutritionally prepared menus for all schools
- Offering continuous operational improvements
- To manage all resources in a responsible, efficient and effective manner
- Recognise diversity and contribution of our staff

Appendix C – Local Authority Trading Company Business Plan

- Provide training, opportunity and support for staff to develop, learn and succeed
- Being environmentally aware – Eco friendly solutions
- Continual focus on performance efficiency and productivity of service
- Promote and achieve maximum uptake of the services we provide
- Maintain affordable prices to our customers
- Committed to sourcing local produce, where possible

Strategy

Short Term (first 2 years) – Transition Phase

- Facilitate cultural change and staff buy-in throughout the service
- Establish a new brand and identity across the service
- Implement opportunities to increase meal uptake
- To instil commerciality throughout the business by developing a bespoke training plan and supporting staff through this transition
- Develop commercial business cases to be implemented in the next phase

Medium Term (year 3-5) – Implementation Phase

- Establishment of the company on 1st April 2019
- To review and develop policies and procedures in order to meet the needs of the staff and service
- Develop/review business model techniques to drive commerciality
- Generate external income within the TECKAL limitations
- Continually develop and improve products and services
- Develop relationships with local business
- Design support services specification to meet the needs of the new company

Long Term (Year 6+)

- Maximise external income within the TECKAL limitations
- Explore opportunities to increase scope of services provided

Marketing & Branding

Marketing

A full marketing and promotion plan would be developed to provide a detailed strategy for maintaining and growing current business and being best placed to win new business in new markets.

Market Trends

- Full compliance with national nutritional guidelines
- Multiple hot and cold menu options
- Cafeteria style service in all secondary schools
- Price driven
- More discerning consumer market
- Cashless catering available in all schools, enabling flexible payments
- Research from the Food Standards Agency shows that convenient food is becoming more popular with modern on the go lifestyles
- FSA research also shows that today's population is likely to rapidly rise over the coming years. And of course they will need to eat
- The increased availability of a variety of foods all year round has seen an increase in 'eating out' and 'on the go' eating. This presents the perfect opportunity to tap into this growing market with people consuming more convenience snacks and takeaway foods
- The convenience of our proposed venture will look to fuel consumers at busy times throughout the day, enabling them to carry on their busy modern day lifestyle. Food is still a social and integral part of modern day culture

Unique Selling Point

The Unique Selling Point (USP) of the company is that we will provide a Council-managed service which is perceived to be trusted, using highly skilled and vetted staff with the ability to provide full absence cover. All profits will be reinvested to develop the company and the schools that use the service.

Business Growth

Areas for Market Growth have been identified, both within existing operations and with new products and services also being developed.

Growth Strategy

Marketing Growth Matrix:

Existing Products
Existing Markets

Existing Products
New Markets

New Products
Existing Markets

New Products
New Markets

1. Existing Products, Existing Markets

- Target 3-5 percentage point increase year on year on school meal uptake
- Target increased sales within existing council settings – theme days, vending machines
- Develop social media and online profile
- Focus on retention of all schools
- Build a more commercial brand concentrating on improved reputation
- Ensure working practices reflect market demands
- Increase unit spend by up-selling in Secondary Schools
- Increase take-up of buffet and hospitality for in-house events
- Develop internal vending services

2. Existing Products, New Markets

- Expand school meal provision to schools outside the local authority area and seek to win back those who have opted out
- Promote packed lunches for school outings
- Increase sales of adult meals in schools
- Provide buffet and hospitality services to school governors/PTA meetings
- Offering an after school food service provision

3. New Products, Existing Markets

- Mobile catering service
- Bespoke menus for each school
- Working with local restaurants to develop new menu options
- Developing a specification for delivering new services to schools (eg mid-day supervision, cleaning etc)

4. New Products, New Markets

- Mobile catering service

Appendix C – Local Authority Trading Company Business Plan

- Food hygiene training for local food outlets
- External buffet/hospitality services
- Café/Bistro outlet
- Tender for public and private sector catering contracts

Market Needs

The Company is committed to meeting the needs of all clients, customers and consumers and it is important to firstly identify who these are.

For instance, in the area of school catering these are clearly identified as follows:

Client	– The Schools, Headteachers and Governing bodies, the Council
Customer	– The parents as they are the ones paying for our services
Consumer	– The pupils as they are the ones taking our products

Once these have been clearly identified it is then easier to target the needs of each and what they regard as a good service.

Consumers will identify with the quality of product, the environment they are in and the overall customer service experience. Customers may be more concerned with price, nutritional value, locally sourced food and ease of payment whereas the Client will value quality of staff training and support, accuracy of financial returns, procurement practices and communication skills.

All of these areas will need to be very carefully and professionally managed to ensure the success of the business.

This will be achieved by the following means:

- Training of key personnel in client management and customer service
- Customer and consumer surveys
- Competitor analysis
- Regular monitoring reports
- Review of procurement procedures

Branding

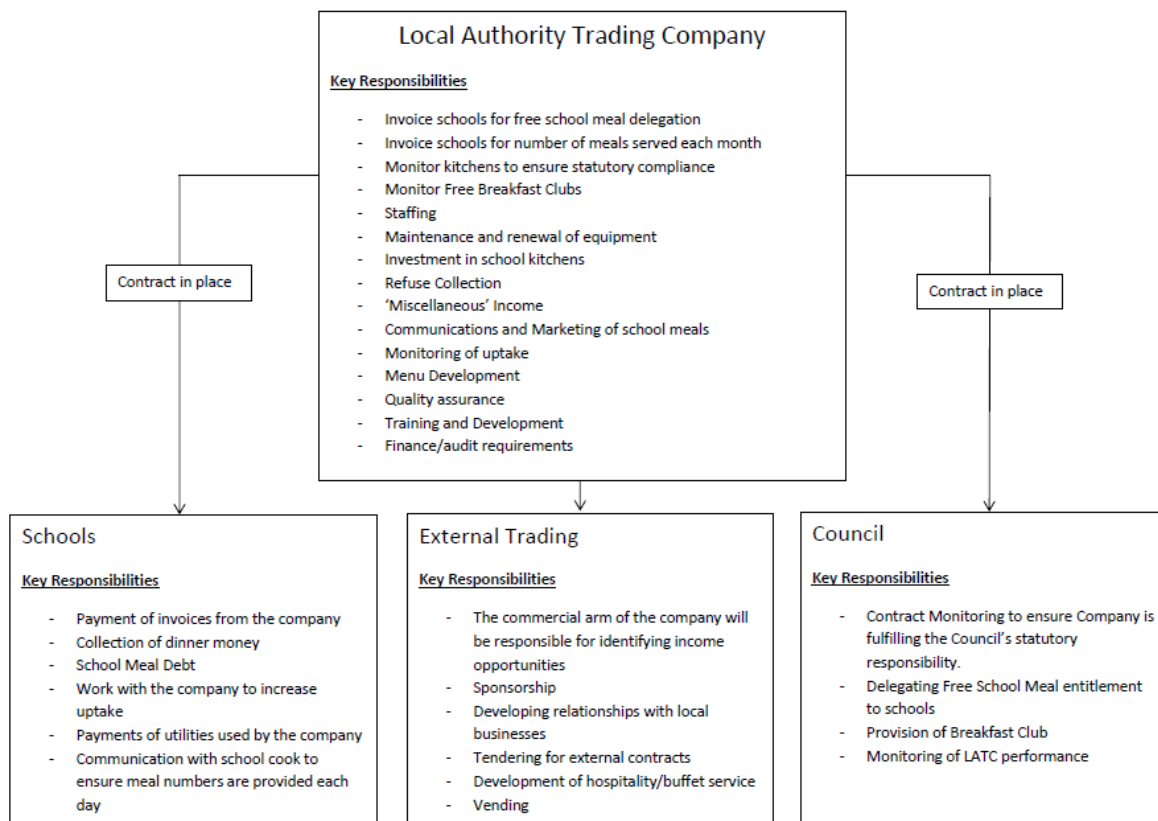
A Company Brand and a new identity will be developed as the Business Plan progresses. This will include:

- Logo
- Corporate clothing
- Company colours
- Identity and reputation
- Service Charter
- Presentation of service

- Communication channels
- Sale Channels
- Key messages

Service Offering

The diagram below provides a high level summary of the Company's, Council's and School's main responsibilities



Management & Organisation

Leadership

The project will leverage the wealth of experience currently within the Council's existing catering team, for both an internal reconfiguration and/or a LATC. It is recognised however that there is currently a skills gap with regard to commercialisation, marketing and company management, and this is currently being addressed through a number of training programmes for key staff.

Appendix C – Local Authority Trading Company Business Plan

A Training and Development plan addressing the needs/gaps is included below.

Training Plan

Skill-set required	Identified in-house Y/N	Up-skilling training plan? External source? Costs?
Marketing and Research	No	Training to be sourced from external source
Commercial finance	No	Training to be sourced from external source
Budgeting	Yes	Sourced via support services agreement
Managing change/leadership/implementation	Yes	Training course already prepared for delivery. Staff costs for half day's session x 180 staff
Problem solving		N/A
Planning, organisational, presentation skills	No	Training to be sourced for 6 managers/supervisors
Procurement	Yes	Sourced via support services agreement
Funding , grants	No	Communication and networking events. Monitoring of local government websites
I.T/Admin	Yes	Sourced via support services agreement
Knowledge of Statutory and regulatory law	Yes	Sourced via support services agreement
Basic Employment Law	Yes	Sourced via support services agreement
Selling Skills, business development	No	Training to be sourced from external source

Appendix C – Local Authority Trading Company Business Plan

To support the transition from internal service to external organisation, the recruitment of an appropriately qualified Business Development Officer would be considered. An estimated cost of £53,526 from Year 1 has been included in the financial appraisal to cover the cost of this role.

Leadership Team Profile

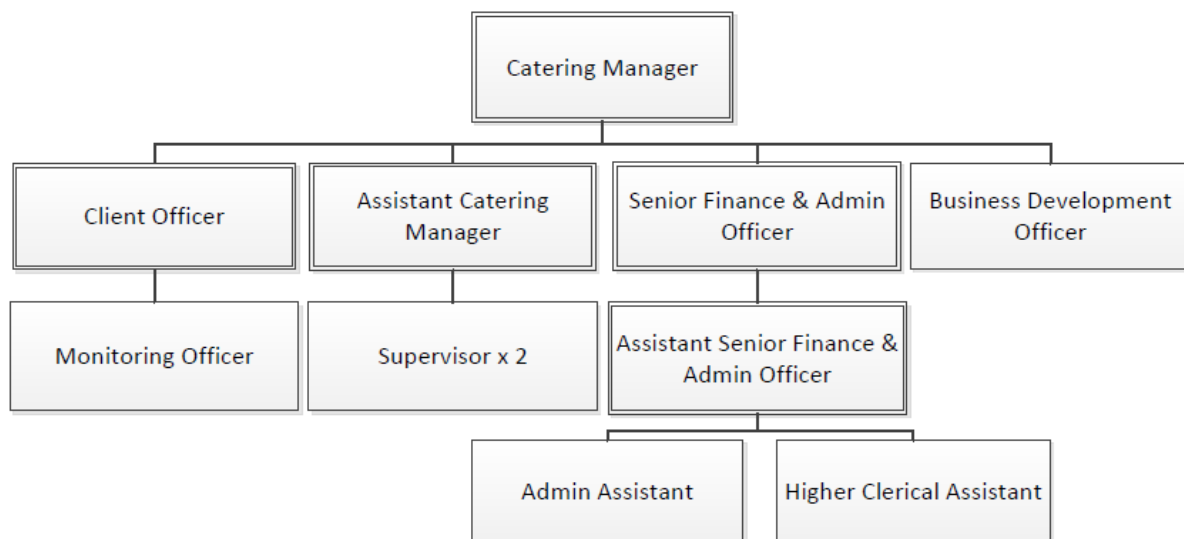
The leadership team will remain predominantly the same as the current team, with the addition of a Business Development Officer.

Carole Tyley, Catering Manager

Carole has held this position since 2012 and has been in the school meals catering service for over 25 years, working across all levels. Over the past 4 years Carole has led on the implementation of a cashless catering system, ParentPay, to all primary and secondary sites. Under Carole's leadership, the Council's catering team have recently been awarded 'Welsh Management Team of the Year' by the Lead Association CATERING in Education (LACA).

Symon Dovey, Assistant Catering Manager

Symon has 20 years of commercial catering experience, working across a number of establishments within food services. Symon's experience involves contributing to the establishment of a new restaurant, turning over £1.3m annually. Symon works to a strong ethos of customer service and teamwork and has applied this in his current role within the council, contributing to its industry recognized success.



Employment Implications

- TUPE

The proposed model would involve the transfer of staff from the public authority to the new company. Therefore, the [Transfer of Undertakings \(Protection of Employment\) Regulations 2006 \(SI 2006/246\)](#) (TUPE) governing staff transfers would apply. The new employer effectively steps into the Council's shoes with regard to the transferring employees. All of the transferor's rights, powers, duties and liabilities under or in connection with the transferring employees' contracts pass to the new employer and any acts or omissions of the old employer (the Council) before the transfer are treated as having been done by the new employer (regulation 4(2), TUPE).

- Two Tier Workforce

A 'two tier' workforce is not permitted in Wales, where TUPE transferred staff work beside staff different terms and conditions. All staff working for the company will have the same terms and conditions. Corporate policies and procedures will be reviewed and specifically tailored to the needs to the Company and its staff.

- Pensions

Pensions are protected by TUPE and the new company will be required to apply for admitted body status to the Local Government Pension Scheme (LGPS) or offer a broadly comparable scheme. Public sector occupational pension schemes can offer high quality benefits that may not be matched by private sector equivalents. Any new employer must offer continued access to an existing public sector scheme, or, if not possible, access to a broadly comparable pension scheme to that offered by the public sector. Cardiff and Vale Pension Scheme has provided an actuarial report, outlining the Company's contribution rate, based on the current levels of staff opting into the LGPS.

Income & Commercial Opportunities

Income

The financial appraisal is based on the following assumptions/principles:

- The meal price will increase by 5p on 1st April 2017 bringing the total meal price to:
 - o Primary Schools - £2.25
 - o Secondary Schools - £2.45
 - o Special Schools - £2.45
- The meal price will increase by 5p every 2 years, subject to approval by the Board of Directors

Appendix C – Local Authority Trading Company Business Plan

- Each school will receive a delegated budget for the provision of free school meals which will be based on the number of pupils eligible for free school meals contained in the Pupil Level Annual School Census (PLASC). This figure will be multiplied by 190 trading days and the meal price to obtain the total figure to be delegated. This will take place from 1st April 2017
- Secondary schools currently receive delegated budgets for catering using a different formula. The new formula will be in place from 1st April 2018. This formula will mirror that used for primary schools (outlined above)
- The Free Breakfast Club budget will also be delegated to each school, which will be responsible for ensuring the free breakfast club provision is available. Schools not offering a free breakfast club will not receive the delegation. The company will continue to monitor and administer the breakfast club provision
- Schools will be responsible for unpaid dinner money from 1st April 2017 and will be billed for all meals provided.

The Target Operating Model will be based on obtaining 4 different income types: Free School Meal Entitlement, School Meals (paid for meals), Miscellaneous Income and Traded Income.

• Free School Meal Entitlement

Each school contracting with the company, will be invoiced by the company for their free school meal entitlement delegation on the 1st April each year. This will ensure that each eligible pupil will be offered a free school meal. This will also allow the company to have a cash balance for the purchasing of food and staff wages. Free school meal entitlement is estimated to be £1,045,228 in 2017/18, based on average FSM entitlement over the last 3 years. For the purposes of the financial appraisal, the FSM entitlement figure will remain the same each year.

	2017/18	2018/19	2019/20	2020/21	2021/22
Primary Meal Price	£2.25	£2.25	£2.30	£2.30	£2.35
PLASC FSM Entitlement - Primary	1502	1502	1502	1502	1502
Secondary Meal Price	£2.45	£2.45	£2.50	£2.50	£2.55
PLASC FSM Entitlement - Secondary	769	769	769	769	769
Special School Meal Price	£2.45	£2.45	£2.50	£2.50	£2.55
PLASC FSM Entitlement - Special	97	97	97	97	97
Total	-£1,045,228	-£1,045,228	-£1,067,724	-£1,067,724	-£1,090,220

• School Meals (paid for meals)

The company will invoice each school for the number of paid-for meals served each month to be paid within the Company's credit terms. The school will be responsible for the collection of school meal income and will be responsible for unpaid money. Increased uptake of school meals will be essential for the long term viability of the company to tackle future financial challenges, such as the National Living Wage. Headteachers will be involved in the day to day running of the company through membership of

Appendix C – Local Authority Trading Company Business Plan

the Board of Directors and increased opportunities to contribute ideas and will therefore be encouraged to promote school meals as outlined in the Healthy Eating in Schools (Nutritional Standards and Requirements) (Wales) Regulations 2013 in order to generate a surplus to reinvest. Plymouth's CATERed has seen uptake increase from 38% to 63% through the creation of a company. However, CATERed has benefitted from the introduction of Universal Free School Meals in England. An action plan to increase uptake has been developed and a number of opportunities are currently being trialled in local schools. Below is the estimated school meal income for primary, secondary and special schools for both pupils and adults. Pupil sales are based on a 3% increase in uptake during the transition period (year 1 and 2) and a 5% increase in uptake during the implementation period (years 3, 4 and 5).

Primary School Income

	2017/18	2018/19	2019/20	2020/21	2021/22
Potential Number of Paid for meals	1,797,883	1,797,883	1,797,883	1,797,883	1,797,883
Number of Meals (paying customers)	693,802	714,616	750,347	787,864	827,257
Uptake	38.59%	39.75%	41.74%	43.82%	46.01%
Adult Meal Income	£21,013	£21,013	£21,013	£21,013	£21,013
Total	-£1,582,068	-£1,628,899	-£1,746,811	-£1,833,101	-£1,965,068

Secondary School Income

	2017/18	2018/19	2019/20	2020/21	2021/22
Secondary Pupil Sales	-£593,841	-£611,656	-£642,239	-£674,351	-£708,069
Secondary Staff Sales	-£21,980	-£21,980	-£21,980	-£21,980	-£21,980
Staff Meals	-£18,586	-£18,586	-£18,586	-£18,586	-£18,586
Functions	-£29,402	-£29,402	-£29,402	-£29,402	-£29,402
Total	-£663,809	-£681,624	-£712,207	-£744,319	-£778,037

Special Schools Income

	2017/18	2018/19	2019/20	2020/21	2021/22
Potential number of paid for meals	137	137	137	137	137
Number of primary meals	11	11	12	12	13
Number of secondary meals	48	49	52	55	57
Uptake	43.07%	44.36%	46.58%	48.90%	51.35%
Total	-£27,047	-£27,858	-£29,857	-£31,350	-£33,586

• Miscellaneous Income

The service currently receives £121,445 from additional sources outlined below. It is anticipated that these income streams will continue at this level and be received by the company.

	2017/18	2018/19	2019/20	2020/21	2021/22
School Milk Grant	-£23,500	-£23,500	-£23,500	-£23,500	-£23,500
Breakfast Club Admin Recharge	-£48,100	-£48,100	-£48,100	-£48,100	-£48,100
Social Services Recharge	-£11,229	-£11,229	-£11,229	-£11,229	-£11,229
Special Schools Recharge	-£22,116	-£22,116	-£22,116	-£22,116	-£22,116
Adult Recharges	-£16,500	-£16,500	-£16,500	-£16,500	-£16,500
Total	-£121,445	-£121,445	-£121,445	-£121,445	-£121,445

• Traded Income

A key advantage of opting for a Local Authority Trading Company is the ability to trade with external partners. The company would be able to utilise the Teckal exemption to increase income to offset the reduced budget. The Teckal exemption allows the Company to continue providing the school meal service to the schools, without having to follow procurement regulations and trade up to 20% of total turnover externally. In year 1, the anticipated income is £3,443,461 (80%), allowing the Company to obtain an additional income of £860,865 (20%) from work not usually completed for the authority. The potential opportunities to achieve this £860,865 are outlined below. This additional income is considered essential for the ongoing maintenance and renewal of the kitchens due to the reduction in budget. If uptake was to increase, then so will the amount permitted to trade under the Teckal exemption. Commercial opportunities are outlined below and the net surplus/deficit will be added to the financial summary below.

Commercial Opportunities

With the LATC a number of commercial opportunities exist and details of these models can be found below. Four commercial sectors have been identified with the first 3 being considered suitable for implementation in the first 5 years of operation. As discussed above, it is anticipated that an additional role will be created to focus on the development of commercial opportunities. This will include the implementation and development of the opportunities outlined below, as well as identifying additional opportunities to optimise the amount of income generated under the Teckal exemption.

Vending service

- a low-investment/medium returns model, and a zero-investment/low returns model

Appendix C – Local Authority Trading Company Business Plan

- External partnering model based on commissions with zero investment and zero management/maintenance/stock costs with returns of 10% of profit from sales

Hospitality Service

- Low investment/medium returns option offering hospitality services to schools, internal council services, local businesses and citizens
- No initial set up cost but investment may be required should demand be sufficient

Mobile food service

- low investment/mediums returns option offering a mobile catering service with specialist cuisine available for hire at events and able to target specific audiences throughout the day and at lunchtimes
- A lunch service offering a range of jacket potatoes has been used below to illustrate the potential benefits

These models demonstrate the scale and diversity of opportunities available to a LATC, and the target income associated with each. The below is considered a longer term opportunity which is unlikely to be achieved within the first 5 years of operation.

Catering-run Coffee Shop

- high-investment/ high-returns opportunity, operating a satellite coffee shop on rented premises selling food and drink to the public
- Service start-up costs of £170k
- This is considered a longer term opportunity that is unlikely to be implemented within the first 5 years of operation

Vending

As people have very busy lifestyles today, there is a huge demand for food and drink on the go - and the demand is growing. As more and more people are 'skipping' breakfast and even lunch, the demand for snacking is particularly evident for those who need to eat both during their commute to work and at various times during the working day. Our vending provides a convenience service for customers and to capitalise on opportunities, to increase footfall and develop brand recognition.

What are the benefits of snack/drink machines?

- Snack machines offer convenience, speed and 24/7 opening
- They are versatile and can sell almost any product
- Increasing interaction with the consumer
- Hygienic and safe manner to deliver quality food and drinks

Appendix C – Local Authority Trading Company Business Plan

- They offer social benefits as they are located where colleagues/friends meet
- Good solution for meal-time fragmentation

There is value in providing a vending provision, both in terms of marketing and income, and it is proposed that the company commissions a fully managed vending service via a corporate partner. The model outlined below is based on existing offerings from third parties, and has been implemented in a number of public sector organisations.

Benefits:

- Review (and replace where necessary), existing machines with high quality, energy saving equipment
- Use bespoke company branding for use across all machines
- Development and management of a comprehensive set of planograms for all sites focussing on best selling lines, including healthy, Fairtrade and ethical items
- Tailor each location to ensure the correct number of machines are in place
- Review onsite support to ensure the busiest locations always have full machines, and the best selling products are always available
- Enhanced monthly reporting on products, cash, and technical issues
- Management of stock and quality
- Dedicated account manager

Anticipated Income:

The Company's corporate partner would be liable for all costs associated with investment in equipment, maintenance, stock, branding and marketing and any vending associated services at zero cost. A commission of 10% will be paid to the company on hot/cold drinks and snacks, unless total annual turnover is less than £5,000. This is an existing model offered by a number of third party vending operators.

The current internal vending service offered by Vale Catering Services has an anticipated income for 2016/17 of £27,692. If the proposed 15% increase is achieved it would result in a total income of £31,846, resulting in a commission of £3,185 being obtained by the company. The current vending service operated by Vale Catering is estimated to make a loss of £4,000 in 2016/17. It is anticipated this would be implemented in for 2018/19 to allow time to complete a full tender exercise.

Buffet Service

The company with its wealth of experience and customer focus will provide both bespoke and pre planned buffet services to all schools and external customers within the Vale of Glamorgan.

The bespoke buffet service will cater for varying numbers and locations from working lunches at the office to larger inaugural events taking into consideration the event type, culture and clientele it will serve.

Appendix C – Local Authority Trading Company Business Plan

Pre-planned and bespoke services would be available to supply school inset days, meetings, interviews and after school parents evenings if required. The company will provide a service that is unique to our customers and will provide a personal friendly service that will enable our customers to enjoy the best fresh local produce available for the right price. The menu will be tailored for different seasons throughout the year. This service can be mirrored to cater for the local Council offices and individuals alike.

Sample menus

Buffet 1: £5.50 per person

- Selection of white and wholemeal vegetarian and meat sandwiches
- Vegetables selection with assorted dips
- Savoury item
- Hand cooked crisps
- Baked treats
- Freshly cut fruit platter

Buffet 2: £6.50 per person

- Selection of white and wholemeal vegetarian and meat sandwiches
- Vegetables selection with assorted dips
- Savoury item
- 1 vegetarian & 1 meat canapés
- Hand cooked crisps
- Freshly baked quiche
- Baked treats
- Freshly cut fruit platter

Buffet 3: £7.50 per person

- Selection of white and wholemeal vegetarian and meat sandwiches
- Vegetables selection with assorted dips
- Savoury item
- 2 vegetarian & 2 meat canapés
- Hand cooked crisps
- Freshly baked quiche vegetarian & meat
- Baked treats
- Freshly cut fruit platter

There will be a £5 delivery cost per Buffet

35% of the total buffet cost will be used for the purchasing of food. This is in line with current food costs. It is anticipated that the below will be achieved within existing resource.

Appendix C – Local Authority Trading Company Business Plan

Forecast internal income:

	2017/18	2018/19	2019/20	2020/21	2021/22
Number of Buffets	73	75	79	83	87
Average number of people per buffet	15	15	15	15	15
Cost per head	£5.50	£5.50	£5.50	£5.50	£5.50
Food	£2,113.35	£2,176.75	£2,285.59	£2,399.87	£2,519.86
Consumables	£43.80	£45.11	£47.37	£49.74	£52.23
Total Cost	£2,157.15	£2,221.86	£2,332.96	£2,449.61	£2,572.09
Total Income	-£6,022.50	-£6,203.18	-£6,513.33	-£6,839.00	-£7,180.95
Surplus/Deficit	-£3,865.35	-£3,981.31	-£4,180.38	-£4,389.39	-£4,608.86

No staff costs have been identified as it is anticipated that these will be met within existing school based resources.

The buffet service will be marketed to local businesses and private functions in order to maximise income. Additional staff time will be required to fulfil this service. The below forecast is based on 6 buffets a week for an average of 15 persons per buffet. External income will take effect upon creation of the company for 2019/20

Forecast external income:

	2017/18	2018/19	2019/20	2020/21	2021/22
Number of buffets	0	0	312	321	337
Average number of people per buffet	0	0	15	15	15
Cost per head	-	-	£5.50	£5.50	£5.50
Food	0	0	£9,032.40	£9,303.37	£9,768.54
Consumables	0	0	£187.20	£192.82	£202.46
Staff	0	0	£5,074.50	£5,369.50	£5,664.50
Total Cost	0	0	£14,294.10	£14,865.69	£15,635.50
Total Income	0	0	-£25,740.00	-£26,512.20	-£27,837.81
Surplus/Deficit	0	0	-£11,445.90	-£11,646.51	-£12,202.31

Combined income:

	2017/18	2018/19	2019/20	2020/21	2021/22
External Income	0	0	-£11,445.90	-£11,646.51	-£12,202.31
Internal Income	-£3,865.35	-£3,981.31	-£4,180.38	-£4,389.39	-£4,608.86
Total Income	-£3,865.35	-£3,981.31	-£15,626.28	-£16,035.90	-£16,811.17

Mobile Catering Unit

The mobile Catering unit will offer something different from the norm for the modern 'on the go' consumer. It is about the whole experience of eating 'great wholesome food made quickly' that the customer will buy into when they purchase from us. The public on average spend £3.81 per visit for food to go, this is increasing 6.4% yearly, therefore customers will be able to purchase 'at their convenience' and at an affordable price.

A mobile catering unit has been identified as a potential opportunity to target modern 'on the go' consumers. There are a number of potential products this mobile unit could provide and thorough market testing will be required. A mobile catering unit selling a range of jacket potatoes has been used to illustrate the potential income.

Corporate buildings do not currently provide an onsite hot food service. A mobile catering unit will operate out of the company, selling a number of Jacket Potato dishes and a variety of beverages out of its mobile kitchen. The service will trade at a variety of venues including: Schools, Corporate Buildings, Local Businesses, weekly and specialty markets, music festivals, food festivals and street food collectives. The start-up cost of the mobile service provision is £20,980.

The objectives for the first year of operation are:

- Turn in profits from the first year of operation
- Develop opportunities to maximise income and increase customer base

Keys to success:

- Fast and efficient operation
- Provision of healthy options
- Utilising existing relationships
- Presence at local street food events

Start-up Summary

	Cost (£)
Legal Expenses	1,000
Marketing	1,580
Vehicle Insurance & Tax	1,600
Purchases of Equipment	6,800
Purchase of Vehicle	10,000
Total	20,980

Appendix C – Local Authority Trading Company Business Plan

Start-up costs would be met by the profits from the Vale of Glamorgan's Local Authority Trading Company, from which this service operates.

Marketing

Marketing of the mobile catering unit will predominantly be via the company's website and social media platforms, with the service being available for hire. Social media will play a large part in organic growth as will reputation through street food events and activities. Marketing through brand awareness is a key success factor, and routes to market currently exists via youth and school activities.

Pricing Strategy

A simple pricing structure is crucial to the success of the service. Suggested unit costs are outlined below:

Selling Price

- Jacket Potato with basic filling £3.50
- Jacket Potato with premium filling £4.00
- Jacket Potato with basic filling and a soft drink £4.00
- Jacket Potato with premium filling and a soft drink £4.50
- Soft Drink: £1

The average sale is anticipated to be £4.00 per customer. The £4.00 can be broken down as follows:

- £1.34 food cost
- £0.21 consumables
- £2.45 to cover staffing, overheads and profit

Market Analysis Summary

Forecasted sales for a mobile food service are dependent on the venue and target audience. The following sales assumptions provide a projection of year 1 annual sales assuming daily trading:

- # of people within walking distance of mobile catering unit (Local businesses, schools and Council buildings) – 3,000
- % of people who buy lunch – 50%
- Equals number of potential customers each day – $3,000 \times 50\% = 1,500$ people
- % of market that will choose your food truck each day – 5% or 75 people
- Average sale from your menu – £4
- Average daily sales on week day – $\text{£}4 \times 75 = \text{£}300$
- Total annual sales: £78,272

Appendix C – Local Authority Trading Company Business Plan

The above represents a prudent forecast based on weekday trading, excluding weekend and evening events.

Sales Forecast

Seasonal variations could account for additional sales over the summer months. The following table highlighted the projected surplus/deficit for the first 5 years of operation based on operating over 260 trading days a year. A 3% sales increase is anticipated in 2021/22 and a 5% year on year increase is anticipated each year thereafter.

There is the potential for increased income being obtained through weekend and seasonal events, such as GlastonBARRY and Cowbridge Food Festival. This has not being included in the below forecast.

	2020/21	2021/22	2022/23	2023/24	2024/25
Sales	19568	20155	21163	22221	23332
Average Sale	£4.00	£4.00	£4.00	£4.00	£4.00
Purchase of vehicle	£10,000				
Transport	£5,100	£5,100	£5,100	£5,100	£5,100
Cleaning materials	£600	£600	£600	£600	£600
Legal Expenses	£1,000	£0	£0	£0	£0
Marketing	£1,580	£500	£500	£500	£500
Purchases of Equipment	£6,800	£2,000	£2,000	£2,000	£2,000
Staff	£11,547	£12,136	£12,725	£13,314	£13,903
Disposables	£4,109	£4,233	£4,444	£4,666	£4,900
Food Cost	£26,221	£27,008	£28,358	£29,776	£31,265
Total Costs	£66,957	£51,576	£53,727	£55,956	£58,268
Total Sales	-£78,272	-£80,620	-£84,651	-£88,884	-£93,328
Surplus/Deficit	-£11,315	-£29,044	-£30,924	-£32,927	-£35,060
Average surplus per sale	£0.58	£1.44	£1.46	£1.48	£1.50

Coffee Shop

NewCafe, would offer coffee, other beverages and snacks in its 2,000 square feet premium coffee bar located in the Vale of Glamorgan, in close proximity to key demographics. NewCafe would be wholly owned by the Vale of Glamorgan Council and operated by the Local Authority Trading Company. It is anticipated this venture would not be achieved within the first 5 years of operation and a full business case will be developed after the creation of the company.

Keys to Success:

- Store design that will be both visually attractive to customers, and designed for fast and efficient operations
- Employee training to insure the best coffee and food preparation techniques
- Marketing strategies such as loyalty cards aimed to build a solid base of loyal customers, as well as maximising the sales of high margin products, such as espresso drinks

Market Analysis Summary

In the UK, we drink approximately 55 million cups of coffee per day. On the high street, café culture has also continued to boom, 80% of people who visit coffee shops do so at least once a week, whilst 16% of us visit on a daily basis. Almost half the population drink coffee in coffee shops and cafés, the majority of whom are from a younger demographic. Barry benefits from having the highest concentration of secondary and further education within the Vale, making this a prime target worthy of exploitation. In 2011 consumer retail spend on coffee was £941m.

NewCafe will capitalize on the strong demand for high-quality gourmet coffee and locally sourced and interesting food. With successful management aimed at establishing and growing a loyal customer base NewCafe will maintain a healthy 65% gross margin, which combined with reasonable operating expenses, will provide enough cash to finance further growth.

School Meal Uptake

As discussed, increased uptake is essential for the future sustainability of the service. Opportunities have been identified to increase uptake in schools. A number of these opportunities are currently being trialled in selected schools across the Vale and uptake figures are being monitored.

Opportunity	How will this be achieved by the Company?	What is the potential increase in uptake?	Risks
1. Increase the number of themed days currently offered	On average, there are currently 6 themed dinner days (e.g. Christmas & Easter). These days are popular with pupils and result in increased uptake and income. The company could work with	An average of 10 – 15%. Christmas lunch is a much higher % increase as schools generally encourage all pupils to partake in	<ul style="list-style-type: none">● Increase in food cost could offset any potential increase in income● Pupils only attend some of the theme days● Increase in uptake does

Appendix C – Local Authority Trading Company Business Plan

	Headteachers to introduce new themed dinners and work with local businesses for sponsorship	the Christmas meal	not result in increased uptake for regular meals
2. Introduce curriculum led events	The Company could work with Headteachers to introduce dinners that are based on curriculum activity (e.g. WW2 dinner). As above, local businesses could be contacted for sponsorship	Teachers would encourage all pupils to partake which could result in increased uptake	<ul style="list-style-type: none"> ● Requires buy in from the Headteachers to promote ● Increase in uptake does not result in increased uptake for regular meals ● Curriculum themed menu is not attractive to pupils who normally have school meals
3. Increase marketing to parents	The Company could utilise its new identity and increase its marketing to parents (including surveys, newsletters, bespoke menus, and social media). An external agency could be engaged to create a new logo and artwork	Marketing to parents will result in increased awareness of the products on offer and therefore increase uptake	<ul style="list-style-type: none"> ● Insufficient room in dining hall to accommodate ● Marketing doesn't result in increased uptake
4. Engage local businesses and restaurants to be involved with the development of school meals.	The company will need to reach out to local businesses and restaurants for support in developing school meals. Local restaurants could design meals on the menu	The will result in increased awareness of school meals and reduce any perceived stigma	<ul style="list-style-type: none"> ● Lack of appetite for local businesses and restaurants to be involved
5. Introduce parents/new pupils to school meals	Reception children and their parents could be invited to receive a free meal at the start of the year. This could result in more parents choosing school meals over packed lunches. This will also include promotion at open evenings and transition events.	Parents currently have little awareness of the quality of food on offer. A positive experience could significantly increase uptake	<ul style="list-style-type: none"> ● Costs of providing free meals outweighs the increase in uptake ● Lunchtime period too short to accommodate ● Increased staffing hours could outweigh increase in uptake
6. Provide more data to schools	As part of the company model, Headteachers will be more aware of the trading status of each	Reduce the number of schools currently making a loss	<ul style="list-style-type: none"> ● Increase in food cost could be offset from potential increase in

Appendix C – Local Authority Trading Company Business Plan

	school. This will provide an impetus for those schools not currently generating a profit to increase their uptake		income <ul style="list-style-type: none"> • Additional labour costs may need to be paid depending on the amount of increased meal numbers
7. After school provision	Headteachers could offer an after school provision for working parents. Food would be available at either the stated amount of a school meal price or a daily set price could be explored for a lunch and after school meal provision	If discounts are available for multiple meals there could be an increase in uptake	<ul style="list-style-type: none"> • Insurance and registration costs would need to be considered • Cost of additional staff time outweighs the income received resulting in a loss
8. Holiday provision	A project ran during Summer 2016 for a school holiday meal provision. This has resulted in a slight increased uptake during term time as awareness of school meals was increased with pupils and parents. As part of the holiday provision, parents and siblings were invited to attend and sample a school meal each week	Depends on uptake of school holiday club and the number of school holiday clubs open	<ul style="list-style-type: none"> • Additional labour costs may need to be paid depending on the amount of increased meal numbers

Budget

2016/17

The table below outlines the current budget for the Catering service for the 2016/17 financial year.

	Current Budget
Catering Budget	1,005,750
Breakfast Club	483,250
ALN Budget	108,490
Special School Delegation	0
Secondary Delegation	502,338
Primary Delegation	0
Total	2,099,828

The Catering service is currently subsidised by the Council. The below budget is based on full cost recovery with the Council only paying for the services used, such as free school meals. A budget may

Appendix C – Local Authority Trading Company Business Plan

need to be retained to cover any deficits in the first years of operation. This will be discussed in the financial summary.

Staff costs

The structure of the service will remain the same in the LATC model with an additional role being created to identify and develop the commercial arm of the business.

The National Living Wage came into force on the 1st April 2016 for all those aged 25 or over. This has resulted in SCP 6 increasing to £7.52 per hour which has been built into the budget. However, The Low Pay Commission (LPC) will recommend future rises, with the Government aiming for it to reach £9.35 an hour by 2020. The business case has included estimated incremental pay increases in line with £9.35 an hour by 2020.

Total staff costs for the first 5 years are:

	2017/18	2018/19	2019/20	2020/21	2021/22
Management	£226,591	£228,856	£231,145	£183,460	£185,295
Admin	£112,509	£113,643	£114,770	£115,918	£117,077
Mobile Supervisors	£116,583	£117,749	£118,926	£120,116	£121,317
Drivers	£6,603	£7,057	£7,510	£7,955	£8,035
Employers Liability	£11,693	£11,693	£11,693	£11,693	£11,693
Training Expenses	£15,000	£10,000	£3,000	£3,000	£3,000
Employee Counselling Service	£1,180	£1,180	£1,180	£1,180	£1,180
Cooks/Kitchen Assistants	£1,016,972	£1,058,683	£1,100,394	£1,141,936	£1,153,355
Total	£1,507,131	£1,548,861	£1,588,618	£1,585,258	£1,600,951

Premises Costs

The service currently uses Vale of Glamorgan Council office space for all office based staff. The cost of this office space has been included in the 5 year budget.

	2017/18	2018/19	2019/20	2020/21	2021/22
Repairs & Maintenance - External Contracts	£18,234	£18,416	£18,600	£18,786	£18,974
Cleaning Materials	£12,000	£12,000	£12,000	£12,000	£12,000
Refuse Collection/Bulk Containers	£35,653	£36,010	£36,370	£36,733	£37,100
AIRMEC	£10,711	£10,818	£10,926	£11,036	£11,146
Fire & Other Perils Engineering	£404	£404	£404	£404	£404
Property Costs (inc Energy)	£8,655	£8,655	£8,655	£8,655	£8,655
Office Accommodation	£17,676	£17,676	£17,676	£17,676	£17,676
Total	£103,333	£103,979	£104,631	£105,290	£105,956

Transport Costs

The service currently leases a van for the transportation of meals and the vending service. It is proposed that an external partner will operate the internal vending service and the van will be utilised for the buffet service and transportation of meals. The below costs have been identified to continue with this lease.

	2017/18	2018/19	2019/20	2020/21	2021/22
Transport Of Meals	£5,050	£5,050	£5,050	£5,050	£5,050
Insurances Vehicles	£1,393	£1,393	£1,393	£1,393	£1,393
Car Allowances - Officers	£13,312	£13,445	£13,579	£13,715	£13,852
Total	£19,755	£19,888	£20,022	£20,158	£20,295

Supplies and Services

Food

Food costs have been included in line with anticipated increases in uptake. The service currently allocates 70p of the meal price to cover the cost of food. The unit cost of each meal is monitored on a regular basis to ensure this is achieved.

Marketing

A £5,000 budget has been allocated for ongoing marketing of the company's services. In year 3, an additional £55,000 has been allocated to cover the cost of launching the company.

Purchases of Equipment

A £100,000 budget has been allocated for maintenance and renewal of kitchen equipment. This reflects the current level of budget maintained by the Catering service.

External Audit Requirements

Upon the creation of the company in 2019/20, an ongoing budget of £10,000 has been allocated to satisfy external audit requirements under the Company's Act. This will include external support.

External Accountancy

Ongoing budget monitoring will be completed by the Senior Finance & Admin Officer. External Accountancy will be utilised for the completion of end of year accounts and ongoing support and advice. An ongoing budget of £25,000 has been allocated for this external support.

Pension Transfer

Transfer under TUPE means that the employees have protected pension rights in either the Local Government Pension Scheme (LGPS) or a broadly comparable scheme. Continuing to offer the LGPS is

Appendix C – Local Authority Trading Company Business Plan

considered preferable for staff due to the difficulty in assessing whether an alternative scheme is 'broadly comparable'. Under a TUPE transfer, whether under LGPS or a broadly comparable scheme, the deficit does not transfer – the new company starts with a clean sheet. Liability always stays with the Council except in limited circumstances e.g. consortia arrangements. Under the LGPS, the new employer becomes an 'Admitted Body' into the Cardiff and Vale Fund, The Vale of Glamorgan Council becomes the 'Admissioning Body' and an 'Admission Agreement' is set up between them. The Council effectively bears the risk of the arrangement and the contract requires a guarantee to that end from the Vale of Glamorgan Council. The Council may require a bond in return from the new employer to insure against certain costs e.g. pension liabilities on redundancy. A report has been received from the actuaries, identifying the contribution rate of the Company, based on current staff in the pension scheme. A charge will be incurred for the transfer of the pension scheme. Based on the cost incurred for the Shared Regulatory Services transfer, £5,000 has been built into the financial appraisal.

Supplies & Services Summary

	2017/18	2018/19	2019/20	2020/21	2021/22
Portable Appliance Testing	£2,141	£2,163	£2,184	£2,206	£2,228
Till Repair/Maintenance	£31,095	£31,800	£32,505	£33,210	£34,100
Food	£672,009	£686,579	£711,591	£737,853	£765,428
General Printing & Stationery	£4,141	£4,182	£4,224	£4,266	£4,309
Printer Costs	£2,323	£2,346	£2,370	£2,393	£2,417
Uniforms	£1,010	£1,020	£1,030	£1,040	£1,050
Medical Fees	£750	£750	£750	£750	£750
Marketing	£5,000	£5,000	£60,000	£5,000	£5,000
Bank Charges	£20,500	£21,100	£22,700	£23,800	£25,600
General Expenses	£300	£300	£300	£300	£300
Purchases of Equipment	£100,000	£100,000	£100,000	£100,000	£100,000
Hardware Purchase	£3,060	£3,091	£3,122	£3,153	£3,185
Telephones	£4,200	£4,200	£4,200	£4,200	£4,200
Mobile Telephones	£1,800	£1,800	£1,800	£1,800	£1,800
Postages	£300	£300	£300	£300	£300
Subscriptions	£700	£700	£700	£700	£700
External Audit Requirements	£0	£0	£10,000	£10,000	£10,000
External Accountancy	£0	£0	£25,000	£25,000	£25,000
Pension Transfer	£0	£0	£5,000	£0	£0
Asset Depreciation	£42,231	£42,231	£42,231	£42,231	£42,231
Total	£891,560	£865,331	£982,776	£955,971	£986,367

Central Recharges

As an internal department of the Council, the Catering Service currently pays the Council for the provision of support services. The current central recharges for the 2016/17 and the proposed costs for 2017/18 are as follows:

	2017/18	2018/19	2019/20	2020/21	2021/22
Building Services	£5,956	£5,956	£5,956	£5,956	£5,956
Legal Services	£4,534	£4,534	£4,534	£4,534	£4,534
Finance	£60,217	£60,217	£60,217	£60,217	£60,217
Human Resources	£52,011	£52,011	£52,011	£52,011	£52,011
Performance & Development	£44,900	£44,900	£15,826	£15,826	£15,826
Total	£167,618	£167,618	£138,544	£138,544	£138,544

As a Local Authority Trading Company, external providers could be used to provide support services, such as: ICT, Finance, Payroll, HR etc. The board have a duty to ensure the company is obtaining best value and all the above costs would need to be assessed. This poses a financial risk to the Council as if the company decides to opt out of any of the above charges it is unlikely the service would be able to reduce costs accordingly, resulting in overheads being shared over fewer services. The financial appraisal is based on the Company continuing to use Council support services for the full 5 years.

Whilst the company continues to buy into the Council support service, it will be able to continue using the Council bank account, cost centres, accounts payable, ICT systems etc.

Secondary School Costs

Secondary schools have always been treated separately as they operate with individual traded accounts. The below costs cover the production of secondary meals. Food costs have been increased in line with increased uptake.

	2017/18	2018/19	2019/20	2020/21	2021/22
Operating Costs	£60,200	£60,400	£60,600	£60,800	£61,000
Labour (Secondary Kitchens)	£390,699	£400,604	£418,153	£436,262	£440,624
Food	£357,220	£364,492	£376,974	£390,081	£403,844
Total	£808,119	£825,496	£855,727	£887,143	£905,468

Financial Implications

Corporation Tax

As a separate legal entity, the Company will be liable to pay Corporation tax. This is to be paid on all profits and the current rate is 20%. This rate is due to reduce in future years.

Appendix C – Local Authority Trading Company Business Plan

VAT

Advice on VAT has been obtained from the Council's tax advisors, PSTAX. At present, the Council (via its schools staff) is selling meals to pupils; the supply is closely related to the provision of education and is therefore non-business. Where the Council sells meals to staff and visitors we are required to account for the VAT on these sales. This is automatically determined by the cashless catering system.

As the Company would be separate from the Council, it would be required to account for VAT when invoicing schools for the number of meals served. However, Schools will be able to claim the VAT back. VAT advisors would be involved in the implementation of this model to ensure full compliance.

Financial Summary

Below is a summary of the forecasted budget for the first 5 years of operation.

	2017/18	2018/19	2019/20	2020/21	2021/22
Expenditure					
Staff	£1,507,131	£1,548,861	£1,588,618	£1,585,258	£1,600,951
Premises	£103,333	£103,979	£104,631	£105,290	£105,956
Transport	£19,755	£19,888	£20,022	£20,158	£20,295
Supplies and Services	£891,560	£865,331	£982,776	£955,971	£986,367
Central Recharges	£167,618	£167,618	£138,544	£138,544	£138,544
Secondary School Costs	£808,119	£825,496	£855,727	£887,143	£905,468
Total Expenditure	£3,497,516	£3,531,174	£3,690,318	£3,692,363	£3,757,581
Income					
Free School Meals	-£1,045,228	-£1,045,228	-£1,067,724	-£1,067,724	-£1,090,220
Primary Meals	-£1,582,068	-£1,628,899	-£1,746,811	-£1,833,101	-£1,965,068
Secondary Meals	-£663,809	-£681,624	-£712,207	-£744,319	-£778,037
Special School Meals	-£27,047	-£27,858	-£29,857	-£31,350	-£33,586
Miscellaneous Income	-£121,445	-£121,445	-£121,445	-£121,445	-£121,445
Traded Income	-£3,865	-£7,181	-£7,380	-£30,350	-£15,988
Total Income	(£3,443,461)	(£3,512,235)	(£3,685,424)	(£3,828,288)	(£4,004,343)
Overall					
Pre-tax (Surplus)/Deficit	£54,055	£18,938	£4,894	(£135,925)	(£246,762)
Corporation Tax	0	0	0	£27,185	£49,352
Net (Surplus)/Deficit	£54,055	£18,938	£4,894	(£108,740)	(£197,410)

Council Investment

Operating at full cost recovery, the above budget indicates that the company will generate a surplus in 2020/21. It is anticipated that the Council will invest part of the savings during the first 3 years to ensure the successful transition into the trading company.

Appendix C – Local Authority Trading Company Business Plan

This investment will be used to:

- Fund the Business Development Officer post
- Develop full commercial business cases to be implemented upon the setting up of the company
- Cover the deficits in the first 3 years
- Implement opportunities to increase uptake and internal income generation opportunities
- Improve and streamline processes

It is suggested that the investment is scheduled as follows:

	2017/18	2018/19	2019/20	2020/21	2021/22
Council Investment	-£200,000	-£150,000	-£100,000	£0	£0

This investment will be funded from the project savings and will not be an additional cost to the Council.

Project Savings

The total budget for the Catering Service in 2016/17 was £2,099,828. The table below outlines the Council budgets required during the first 5 years of implementation, including any Council investment. The table also outlines the total savings achieved as a result of the implementation.

	2017/18	2018/19	2019/20	2020/21	2021/22
Breakfast club	£577,300	£580,250	£580,250	£580,250	£580,250
ALN Budget	£63,336	£63,336	£63,336	£63,336	£63,336
Primary School Delegation	£642,105	£642,105	£656,374	£656,374	£670,643
Secondary School Delegation	£425,002	£467,362	£476,900	£476,900	£486,438
Secondary Client Budget	£84,116	£0	£0	£0	£0
Special School Delegation	£45,154	£45,154	£46,075	£46,075	£46,997
School Milk Grant	£23,500	£23,500	£23,500	£23,500	£23,500
Catering Service Budget	£0	£0	£0	£0	£0
Council Investment	£200,000	£150,000	£100,000	£0	£0
Total Budget	£2,060,513	£1,971,707	£1,946,435	£1,846,435	£1,871,164
Previous Year's Budget	£2,099,828	£2,060,513	£1,971,707	£1,946,435	£1,846,435
Annual Saving	£39,315	£88,806	£25,272	£100,000	-£24,729
Cumulative Saving	£39,315	£128,121	£153,393	£253,393	£228,664

By 2021 there will be a cumulative saving of £253,393. In 2021/22 meal price increase leading to an increase cost to the Council for free school meals of £24,729. This will need to be funded by the Council from Learning and Skills budgets.

Total revenue saving = £228,664

This will be achieved in full in 2020/21

Legal & Governance

Legal Implications

- The Local Authority Trading Model will result in the creation of a company limited by shares and 100% owned by the Council. The Council is therefore by its constitution the sole shareholder. The company will be registered at Companies House and has to follow all statutory obligations of a limited company. Whilst the council will have 100% ownership, the LATC will have an Executive Board, with Non-executive Directors consisting of: Headteachers, Council Officers and Members. The Executive Board will have legal responsibility to act in the best interests of the LATC, but will be guided strategically by its Non-Executive Directors, alongside its Managing Director, who will be responsible for the day-to-day running of the Company, and in ensuring successful transformation to ensure service needs are met in accordance with legislative requirements.
- The governing documents of a limited company are the Articles of Association which must be registered at Companies House and which forms the company's constitution, defines the responsibilities of its directors, the business to be undertaken, the way in which the shareholders exercise control over its board of directors; sets out the position in relation to the issue of and allocation of shares, the associated voting rights attached to different classes of shares; the appointment of its directors; directors meetings, quorum, voting; management decisions - whether the board manages; determines if and how shares can be transferred; special voting rights of a Chairman, and how they should be elected; dividends and if and how the percentage of profits are to be declared when there is profit, (or not as the case may be); winding up, the conditions for this, notice to members etc.; and issues relating to confidentiality.
- The transfer deed/agreement will make provision for decision making regarding assets, property, rights, allocation of risk between Council and LATC, contracts and staff that will form part of the undertaking.
- A contract will be created between the Company and the Council to ensure the Company will fulfil the Council's statutory responsibilities. These include:
 - The Education Act 1996
 - The Healthy Eating in Schools (Wales) Measure 2009
 - The Healthy Eating in Schools (Nutritional Standards and Requirements) (Wales) Regulations 2013
 - The Healthy Eating in Maintained Schools (June 2014) Statutory Guidance
- A contract will also be created between the Company and each school that wishes to instruct the Company to provide the school meal service in their school.
- Following the creation, the LATC will initially be a “Teckal” (based on EU case law) trading company. This means that the Company being under the control and influence of the Council, by its constitution (owning 100% of the shareholding) is able to “Teckal” trade up to 20% of its turnover with external organisations provided certain conditions are met and will still be able to

Appendix C – Local Authority Trading Company Business Plan

continue providing services to the Council without being subject to procurement regulations. Reverse Teckal also applies where the Council is able to continue providing support services to the company without being subject to procurement regulations.

Governance

Effective governance is essential in creating the LATC to ensure the requirements of the Teckal Exemption are satisfied, to demonstrate that it exerts control and influence over the LATC. A balance between the Council's strategic control and influence whilst still enabling the Directors of the LATC to have operational responsibility for delivering the strategic objectives.

The structure of the LATC will reflect a number of key relationships, governance, and contractual relationships with the Council, including:

- 100% shareholder with monitoring arrangements via the Executive Shareholder Committee
- Commissioning authority with a contract for services delivery by the LATC
- As contract holders for the provision of business support services to the LATC

The above provides a legal and governance framework for the company which will be a registered company under the Companies Act 2006 and the service contracts referred to.

Nature and duties of the Executive Shareholder Committee:

- exert influence and control over the LATC on behalf of the Council, this complies with the Teckal exemption;
- the committee will represent the Council's strategic requirements for the catering service and will have delegated powers to make decisions for the Council on its behalf.

The extent to which the Executive Shareholder Committee exerts its influence and control will be determined by meetings held on a periodic basis when the Committee will report on:

- service and quality performance using Key Performance Indicators (the contract will determine the agreed service levels);
- future service development; and
- financial scrutiny against agreed business plan;
- annual review of the business plan.

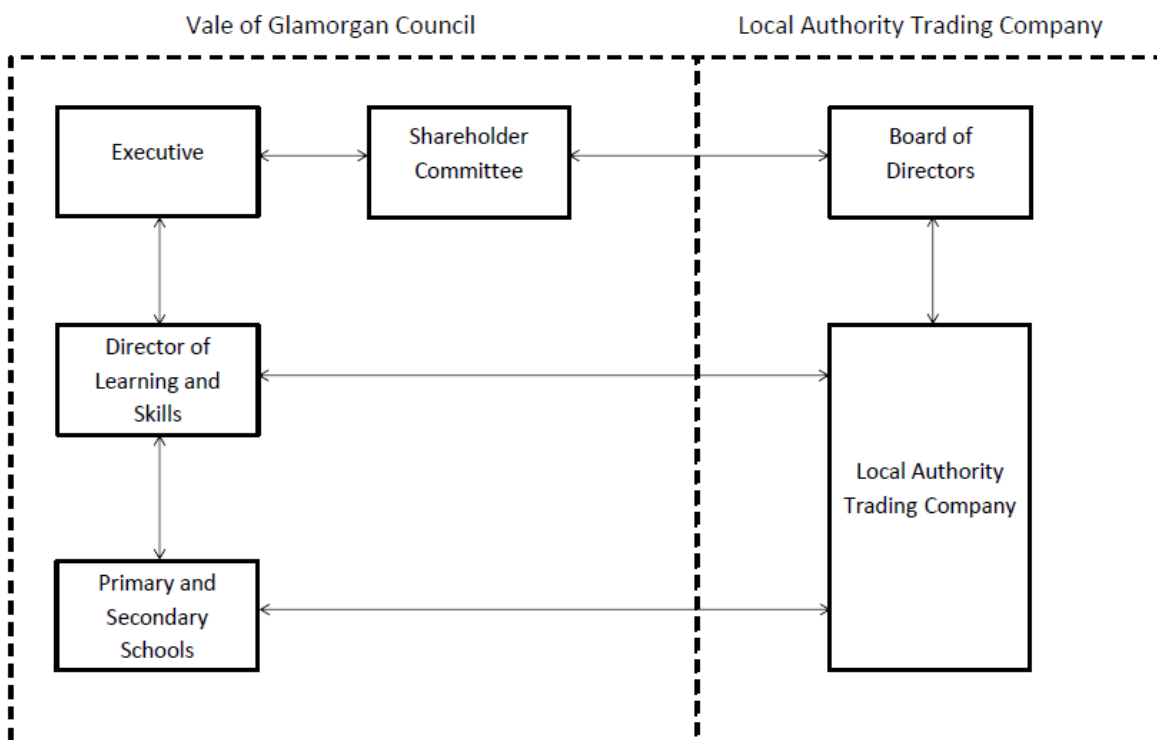
Size and structure of the Committee

- needs to be manageable as to the number of attendees to achieve continuity in attendance by Members at meetings, efficient use of meeting time and decision making, retention of knowledge of the service;

Appendix C – Local Authority Trading Company Business Plan

- Meetings need to be properly managed in the same way as other Council bodies, including sufficient notice of meetings, pre-published agendas/papers, minute taken, actions agreed and implemented, procedures for substitutes and quorum rules;
- Voting structure reflected in the structure of the Committee (as 100% shares allotted to the Council - so would not be on basis of shareholding) – this should allow for debate and decisions to be made with prospect of consensus within the Committee – essentially you would not have a majority that could never be overturned. In addition, certain fundamental decisions could only be decided on a unanimous vote – this would include matters that are fundamental to the running of the LATC and could include changes in the terms and conditions of staff, new partners joining the LATC, strategic direction of the LATC, changes in the constitution;
- Selection and appointment of the Chair who would except in relation to ‘fundamental’ matters have the casting vote, in the event of a tied vote on a majority decision.

The governance arrangements are outlined in the following diagram.



- Managing Director

The Managing Director of the company will be responsible for the day to running of the company and will also sit on the Board of Directors. The Managing Director will receive its salary from the company's budget.

- Non-executive Directors

Appendix C – Local Authority Trading Company Business Plan

Non-executive Directors will sit on the Board of Directors with the Managing Director and will provide strategic direction and oversight. The main duties of the directors are consolidated in the Companies Act 2006. These duties are to:

- Act within powers (section 171) (see Consequences of exceeding authority below)
- Promote the success of the company (section 172)
- Exercise independent judgement (section 173) (see Duty to act for the company and risk of local authority becoming a shadow director)
- Exercise reasonable skill, care and diligence (section 174) (see Requirement for appropriate level of skill and expertise)
- Avoid conflicts of interest (section 175)
- Not accept benefits from third parties (section 176)
- Declare interest in a proposed transaction or arrangement with the company (section 177)

The board of directors of the LATC will manage the day-to-day decision making of the company. The Council (being the sole shareholder) through its Members who will form part of the Shareholder Committee will be responsible for appointing, and removing Directors to run the company. The management of the company is effectively delegated under the company's articles to the Board. Directors (at least one – no limit on maximum number) will be appointed with the relevant skills and experience to deliver the service.

Board of Directors – will consist of an:

- Executive Director/Chairperson who will be responsible for leading the Board, in carrying out its obligations and responsibilities, adherence to governance arrangements etc.;
- Managing Director who will be responsible for the day to day management of the company (executing decisions made by the board), liaising with the company chairperson to ensure the strategic objectives of the company are being met;
- Company Secretary who will ensure that the company complies with legislation and regulations, keeping Board Members informed of their legal responsibilities – the Company Secretary is the named representative on legal documents and it is their responsibility to ensure that the company and its directors operate within the law, registration and communication with the shareholder, keeping of the company records, including the list of directors, shareholder and annual accounts, supporting the MD in the day to day management of the company and execution of decisions made by the board of directors.

The quorum and voting rights will be agreed (and will be set out in the articles of association, which forms part of the company constitution) including the frequency of board meetings. Whilst the quorum may be fixed bear in mind if it is not fixed by law there must be a minimum of two Directors present to constitute a board meeting with certain narrow exceptions. Provision will also be made for the circulation of the minutes to the shareholder committee.

The Board can consist of Executive and Non-Executive Directors who will adopt different roles within the company. In deciding the appointment of the Directors it is important to consider the duties and responsibilities (and conduct) of a Director, and the 2006 Act codifies the responsibilities held by a Director in a company, and this should be borne in mind on selection.

- Shareholders

The Council will be the sole shareholder and will protect its interests through a Shareholder Committee. The Shareholder committee provides a simple mechanism within which the single Shareholder, in this case the Council, can engage with the Board. This is in order to maintain an element of control and influence of the business without affecting the operational management.

- Scrutiny

The Managing Director will be available to attend Scrutiny Committees to provide an update on the company's performance.

Assets

Equipment

The company will be responsible for the repair and maintenance of equipment. It is anticipated that renewal and investment in kitchen equipment will be funded from the £100,000 ongoing budget. Larger scale projects will be funded from any surpluses created. This will ensure the long term sustainability of the service. If a school wishes to not use the company to provide their school meal service, they will be required to lease or return the kitchen equipment to the Council/company depending on the date they give notice.

ICT

The company will continue to utilise the Council's internal ICT service and will continue with the ICT equipment currently used. The Company will continue to purchase ICT equipment through the Council's frameworks.

Council Implications

- The Council will be responsible for managing the contract with the company to ensure all statutory duties are being complied with. The Council will also be responsible for amending the contract to take into account any policy or legislative changes (e.g. changes in healthy eating regulations). Further consideration is required regarding the resourcing of this contract monitoring role.
- The Council will be responsible for the payment of the 3 year investment programme outlined in the financial appraisal.
- The Council will continue to be responsible for the Free Breakfast club provision. This budget will be delegated to schools but there are still a number of schools that have not opted for a free breakfast club. Should any of those schools decide to opt in, it will be the responsibility of the

Council to fund this. However, the company will continue to provide administrative support and ongoing monitoring of the breakfast club. Breakfast club staff will not transfer to the company

- The Council will also be responsible for the provision of support services to the company. As discussed above, the company may wish to procure support services from external organisations if there is an economic benefit to do so. However, the business case has been based on the company continuing to use Council support services at the current cost

Responsibility of Schools

- Collection of Income

Each school will be invoiced for the number of paid for meals served on a monthly basis to be paid within the Company's credit terms. As each school has responsibility for the collection of school meal income, it will also be responsible for any losses incurred from unpaid dinner money. This money will need to be found from existing school budgets.

- Increase Uptake

The schools will be required to work with the company to increase uptake of school meals. This will include: Inviting the company to attend parents' evenings/assembly's, including school meals on newsletters etc.

- Payment of Invoices

All schools will be responsible for the payment of invoices from the company, in a timely manner. This will include payment of free school meal entitlement and paid-for meals served.