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## THE COUNCIL'S LOCAL AUTHORITY TRADING COMPANIES

### 1 PURPOSE OF REPORT

- 1.1 To note the Annual Report of the Directors of Green Gateway (GM) Ltd set out in exempt Appendix A; and
- 1.2 To recommend to Council to approve the accounts of the LATCOs for the financial year 2019/2020, as set out in exempt Appendix B.

### 2 INTRODUCTION

- 2.1 In 2016, the Council established a group of Local Authority Trading Companies ("LATCOs") pursuant to the provisions of the Localism Act 2011 and the Local Government and Housing Act 1989:
  - 2.1.1 Green Gateway Trading Ltd (the holding company which does not trade independently of its subsidiaries);
  - 2.1.2 Green Gateway Trading (Development) Ltd (a wholly owned subsidiary which does not trade); and
  - 2.1.3 Green Gateway Trading (GM) Ltd (a wholly owned subsidiary which trades pursuant to Regulation 12 of the Public Contracts Regulations 2015. This is the company which delivers the Council's grounds maintenance contract.
- 2.2 The Council is the 100% shareholder of these companies and is required to approve the accounts of the LATCOs. Having received this on behalf of the Council, the Investment Board must leave formal approval to the meeting of Council.

### 3 ANNUAL ACCOUNTS

- 3.1 On 21 August 2020, the sole director of Green Gateway Trading Ltd (Shaun Scrutton) agreed the annual accounts for that company. The net assets were £1.
- 3.2 On 4 September 2020 the directors of Green Gateway Trading (Development) Ltd (Marcus Hotten and Angela Hutchings) agreed the annual accounts for that company. The net assets were £1.
- 3.3 On 23 September 2020 two of the directors of Green Gateway Trading (GM) Ltd (Matt Harwood-White and Dawn Tribe) agreed the 2019/20 accounts for that company which showed a small net profit of £3,603.

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**4 DIRECTORS' ANNUAL REPORT – GREEN GATEWAY TRADING (GM) LTD**

- 4.1 As the only LATCO which is trading, the annual report of Green Gateway Trading (GM) Ltd sets out the achievements of that company for the financial year 2019/20.
- 4.2 The company is now in its fourth year of trading and continues to provide the Council with its predicted annual saving for delivery of the grounds maintenance contract, whilst making a small profit that enables the company to reinvest in its staff and equipment. The original contract value was £406,000 pa. This value has now increased with RPI to £412,900 pa. The contract is due to expire on 5 December 2021.
- 4.3 Because the company operates pursuant to Regulation 12 of the Public Contracts Regulations 2015 it is entitled to operate the Council's contracts without formally competing for the award of those contracts via a procurement process. The law regards Green Gateway Trading (GM) Ltd as if it were one of the Council's in-house departments. This benefit has a downside, in that the company's ability to diversify its client base is limited. It may only take on contracts from organisations other than the Council, to a value no greater than 20% of the company's primary annual turnover (i.e. the value of the Council's grounds maintenance contract). It follows, therefore, that if the Council does not renew its contract with Green Gateway Trading (GM) Ltd, then the company must be wound up.
- 4.4 On 2 September 2020 the Executive approved a drawdown of £20,000 from the Council's earmarked reserves to commission an external consultant to provide an appraisal of the options for the Council to deliver both its grounds maintenance and street cleansing services, including the potential delivery of a joint contract by Green Gateway Trading (GM) Ltd. The outcome of this work and any subsequent decision by the Council will be determinative of the company's future.

**5 CHANGE IN DIRECTOR**

- 5.1 With the impending retirement of Shaun Scrutton from the Council, the directorship of Green Gateway Trading Ltd requires to be replaced. It is proposed that the Strategic Director, Angela Hutchings, be appointed in his stead.

**6 RISK IMPLICATIONS**

- 6.1 Failure by the LATCOs to obtain shareholder approval of their accounts may result in a failure to file those accounts with Companies House by the required deadline of 31 March 2021 (extended from the normal date of 31 December).

## 7 RESOURCE IMPLICATIONS

- 7.1 Green Gateway Trading Ltd (GGT) is a wholly owned subsidiary of the Council. The company has successfully generated a small net profit after tax of £3,603 in 2019/20, as well as realising a significant cost saving for the Council in the contracted delivery of services.
- 7.2 It is assumed that any surplus generated in the medium term will be reinvested in the company to support future growth. The Council as sole shareholder is therefore not currently anticipating any realisation of profit via dividend payouts in its budget. More details on GGT's financial position are provided within its Statement of Accounts and its financial statements have been consolidated into the Council's Group Financial Statements on a line by line basis, after eliminating inter-company transactions.

## 8 LEGAL IMPLICATIONS

- 8.1 The Council's role is the ultimate Shareholder with the responsibility to monitor and control the business and operations of the Company. The Accounts have been signed off by the Directors and approved by the Council. The Investment Board has had oversight of the company from its inception; it has no decision making powers in relation to the company but can make recommendations to the Board, Executive and Council.

## 9 EQUALITY AND DIVERSITY IMPLICATIONS

- 9.1 An Equality Impact Assessment has been completed and found there to be no impacts (either positive or negative) on protected groups as defined under the Equality Act 2010.

## 10 RECOMMENDATION

- 10.1 It is proposed that the Committee **RESOLVES**
- (1) That the Annual Report of the Directors of Green Gateway (GM) Ltd, set out in exempt Appendix A, be noted; and
  - (2) That Angela Hutchings be appointed as a replacement director for Shaun Scrutton in Green Gateway Trading Ltd.

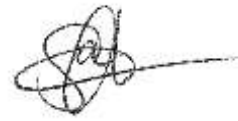
### RECOMMENDS TO COUNCIL

- (3) That the accounts of the LATCOs for the financial year 2019/2020, set out in exempt Appendix B, be approved.



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**Background Papers:-**

None.

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