

Trading Board

Wednesday, 21 June 2017

Attendees: Councillor Kevin Bentley, Councillor Robert Davidson, Councillor Chris Pearson, Councillor Rosalind Scott, Councillor Lesley Scott-Boutell
Substitutes: Councillor John Elliott (for Councillor Lewis Barber)
Also Present: Also in attendance: Councillors Davies, J. Scott-Boutell and Smith

161 Minutes

RESOLVED that the minutes of the meetings held on 22 March 2017 and 24 May 2017 be confirmed as a correct record.

162 Creation of New Commercial Companies - Trading Board Terms of Reference

The Board considered a report from the Strategic Director, Commercial and Place, inviting the Board to review the proposal recently approved by Cabinet for the creation of new commercial companies and a revised role for the Trading Board. The Board also had before it draft Terms of Reference for the Trading Board reflecting its new role which had been drafted by the Monitoring Officer. The Chief Executive, Adrian Pritchard, attended and presented the report to the Board.

Adrian explained that the proposals for the creation of the new Commercial Companies set out in the report and Business Case had been considered by the Scrutiny Panel and agreed by the Cabinet. The draft terms of reference submitted to the Board had not formed part of the decision making by Cabinet. They were based upon the functions identified at paragraph 4.4 of the Business Case and were put before the Board as a draft for consideration and discussion.

Members of the Board welcomed the proposals set out in the report and the considered that they reflected the right direction of travel for the Council. However, the Board considered that the draft terms of reference did not fully encapsulate the new role for the Trading Board. It was considered that the role of the Board was to act as the shareholder's representative and this needed further emphasis.

In addition, there was some ambiguity around the meaning of the word "review" and further work needed to be done to define this and to consider the inter-relationship

between the work of the Trading Board in respect of the companies and the Council's scrutiny function. It was the view of the Board that it needed to be supportive of the companies and to ensure a constructive working relationship whilst providing challenge and encouraging innovation.

The Board was of the view that the terms of reference should be taken forward via a meeting of the Chairman and Group Spokespersons with the relevant officers. This would enable revised terms of reference to be brought forward to the next meeting of the Board for consideration.

In terms of reviewing the proposals for the commercial companies, the Board noted the recommendation of the Scrutiny Panel, agreed by Cabinet, about the political make up of the Board of Colchester Commercial. However it stressed the importance of ensuring the appointment of those with the necessary skills and ensuring that they had access to appropriate professional advice and expertise.

Further clarification was sought over the proposals that the commercial companies would be able to recruit staff on different terms and conditions from those employed in local government. There was some concern that this could lead to a two tier workforce. Adrian explained that existing staff transferring to the companies would do so under the TUPE regulations on their existing contractual arrangements and terms of conditions. However, in order to enable the companies to compete with the private sector, it was vital that they have a more flexible approach and be able would be able to recruit on different terms and conditions. This was not just a case of offering larger salaries: it may be reflected in more flexible contracts and a wider use of other non-financial benefits. This would help address some of the skills gaps in areas such as Estates Management.

In response to questions from the Board, Adrian also reassured members that the Section 151 Officer had identified those costs that were appropriate to be charged to Colchester Commercial and was satisfied that the proposed level of recharges was realistic. Professional advice had been sought on the taxation implications, and members of the Board had been provided with the advice from Pinsent Mason and Grant Thornton. In particular further work on the VAT and NNDR issues relating to the Sport and Leisure Service would be undertaken, with a view to transferring the service into the commercial structures.

The Board also stressed that Colchester Commercial and its subsidiaries needed to be able to respond quickly to commercial opportunities and explored how they would be able to raise finance. Ultimately the companies were backed by the Council which could borrow money at preferential rates and loan it to the companies, although this would be at commercial rates in of the regulations on State Aid.

Adrian stressed that it would be open to the Board to look at these issues in more depth

as part of its work in monitoring and reviewing the work of Colchester Commercial and its subsidiaries.

Some concern was expressed that in the SWOT (Strengths, Weakness, Opportunities and Threats) analysis a culture of complacency had been identified as a potential weakness. Adrian explained that whilst most areas of the Council had fully embraced the programme of change that the Council had followed in recent years, there were some small pockets where this was not the case. A small budget of 10K had been set aside to support staff through the transition: however the culture and ethos of the companies would remain public sector.

Members of the Board emphasised that this was a fundamental shift for the Council in how it delivered services. It was important that this was effectively communicated to residents. In this regard the naming of the companies was important and it was suggested that the Leader of the Council and other Group Leaders be involved in the naming of the companies.

RESOLVED that:-

- (a) The proposal for new commercial companies and the revised role for Trading Board as set out in the Business Case for the Creation of Colchester Commercial (Holdings) Limited approved by Cabinet on 14 June 2017, be noted.
- (b) The Terms of Reference to be subject to further discussion between the Chairman and the Group Spokespersons and revised Terms of Reference be submitted to the next meeting of the Board.

163 Commercial Business Development Reports 2016-17 Outturn

The Board received a report from the Strategic Director providing information about the outturn position for the Commercial Services at the end of the 2016-17 municipal year. Graham Lewis, Commercial Manager, attended and presented the report to the Board.

Members of the Board raised a number of issues as follows:-

- Whether the services were fully staffed and if staff shortages were holding any of the services back. Graham explained that the services were fully staffed. Whilst recruitment to Building Control was difficult, Colchester had a stable core group of Building Control inspectors.
- Given that Colchester was a fast growing borough, did the Building Control Service actively build relationships with developers? Graham explained that the Building Control Manager did try and build such relationships and did meet with

developers. However, more could always be done.

- The overspend on employee costs in Estates Service was noted and the need for close management of costs was stressed.
- It was noted that recharges were not included in the figures and that if they had been included the outturn figures would have been significantly different. It was important that if recharges were not included this was made clear.
- Overall the outturn figures represented considerable progress and were indicative of a cultural change in the approach of the Council towards commercial services.

RESOLVED that the contents of the report be noted.

164 Minutes (Part B)

The Board resolved under Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the following item as it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

RESOLVED that the not for publication extract from the minutes of the meeting held on 22 March 217 be confirmed as a correct record.

165 Commercial Business Development Performance and Income Report 2016-17 Outturn

The Board resolved under Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the following item as it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

This minute is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of any particular person, including the authority holding that information.)