

# Trading Board Meeting

**Grand Jury Room, Town Hall, High Street,  
Colchester, CO1 1PJ**

**Wednesday, 21 June 2017 at 18:00**

The role of the Trading Board is to consider the trading issues of the Council and to challenge and monitor the Council's trading arrangements including companies owned by the Council and joint Committee arrangements, and to make recommendations to Council and Cabinet on trading proposals.

# Information for Members of the Public

## Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda, which is usually published 5 working days before the meeting, and minutes once they are published. Dates of the meetings are available at [www.colchester.gov.uk](http://www.colchester.gov.uk) or from Democratic Services. Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does so, you will be asked to leave the meeting.

## Have Your Say!

The Council values contributions from members of the public. Under the Council's Have Your Say! policy you can ask questions or express a view to most public meetings. If you wish to speak at a meeting or wish to find out more, please refer to Attending Meetings and "Have Your Say" at [www.colchester.gov.uk](http://www.colchester.gov.uk)

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## Access

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Colchester, CO1 1JB

telephone (01206) 282222 or textphone 18001 followed by the full number you wish  
to call

e-mail: [democratic.services@colchester.gov.uk](mailto:democratic.services@colchester.gov.uk)

[www.colchester.gov.uk](http://www.colchester.gov.uk)

## **Trading Board - Terms of Reference**

- a) Consider and review the activities performed by:
  - the commercial services arm of the Council
  - those services generating income of approximately £250,000 or above
  - any trading arms of the Council
  - any partly or wholly owned companies of the Council
- b) Identify and develop any new commercial agreements generating significant income for the Council for approval by Cabinet or Council.
- c) Develop the composition of any new body or bodies created wholly or in part by the Council for commercial purposes including their purpose; governance; operating model; business planning function; risk factors; and to recommend approval for such new arrangements to Cabinet or Council.
- d) Ensure any Council capital investment and/or assets that are to be transferred to or used by an outside body for commercial purposes is properly specified, protected and used by the outside body and recommended to Cabinet or Council for approval.
- e) Consider any proposed new/transfer or sale/purchase of company shares and make recommendations on these for approval by Council.
- f) Identify and recommend to Cabinet or Council major strategic opportunities for procurement of services from other companies, organisations, social enterprises and the voluntary and third sector.
- g) Receive regular reports of procurement agreements entered into including financial and service performance measures against those stated in the contract and bring any concerns or risks as recommendations to Cabinet.

# **COLCHESTER BOROUGH COUNCIL**

## **Trading Board**

**Wednesday, 21 June 2017 at 18:00**

### **Member:**

Councillor Rosalind Scott  
Councillor Lesley Scott-Boutell  
Councillor Lewis Barber  
Councillor Kevin Bentley  
Councillor Robert Davidson  
Councillor Chris Pearson

Chairman  
Deputy Chairman

### **Substitutes:**

All members of the Council who are not Cabinet members.

## **AGENDA - Part A**

(open to the public including the press)

**Members of the public may wish to note that Agenda items 1 to 5 are normally brief.**

### **1 Welcome and Announcements**

- a) The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.
- (b) At the Chairman's discretion, to announce information on:
  - action in the event of an emergency;
  - mobile phones switched to silent;
  - the audio-recording of meetings;
  - location of toilets;
  - introduction of members of the meeting.

### **2 Substitutions**

Members may arrange for a substitute councillor to attend a meeting on their behalf, subject to prior notice being given. The attendance of substitute councillors must be recorded.

### **3 Urgent Items**

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent, to give reasons for the urgency and to indicate where in the order of business the item will be considered.

### **4 Declarations of Interest**

The Chairman to invite Councillors to declare individually any interests they may have in the items on the agenda. Councillors should consult Meetings General Procedure Rule 7 for full guidance on the registration and declaration of interests. However Councillors may wish to note the following:-

- Where a Councillor has a disclosable pecuniary interest, other pecuniary interest or a non-pecuniary interest in any business of the authority and he/she is present at a meeting of the authority at which the business is considered, the Councillor must disclose to that meeting the existence and nature of that interest, whether or not such interest is registered on his/her register of Interests or if he/she has made a pending notification.
- If a Councillor has a disclosable pecuniary interest in a matter being considered at a meeting, he/she must not participate in any discussion or vote on the matter at the meeting. The Councillor must withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.
- Where a Councillor has another pecuniary interest in a matter being considered at a meeting and where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the Councillor's judgement of the public interest, the Councillor must disclose the existence and nature of the interest and withdraw from the room where the meeting is being held unless he/she has received a dispensation from the Monitoring Officer.
- Failure to comply with the arrangements regarding disclosable pecuniary interests without reasonable excuse is a criminal offence, with a penalty of up to £5,000 and disqualification from office for up to 5 years.

### **5 Minutes**

To confirm as a correct record the minutes of the meetings held on 22 March 2017 and 24 May 2017.

**22-03-17 -minutes**

9 - 12

**24-05-17 minutes**

13 - 14

**6 Have Your Say!**

a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter relating to the terms of reference of the Committee/Panel not on this agenda. You should indicate your wish to speak at this point if your name has not been noted by Council staff.

(b) The Chairman to invite contributions from members of the public who wish to Have Your Say! on a general matter relating to the terms of reference of the Committee/Panel not on this agenda.

**7 Creation of New Commercial Companies - Trading Board Terms of Reference 15 - 54**

See report by the Strategic Director, Commercial and Place

**8 Commercial Business Development Reports 2016-17 Outturn 55 - 58**

See report by the Strategic Director, Commercial and Place

**9 Exclusion of the Public (not Scrutiny or Executive)**

In accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

**Part B**

(not open to the public including the press)

10 **Minutes (Part B)**

To approve the not for publication extract from the minutes of the meeting on 22 March 2017/

11 **Commercial Business Development Performance and Income Report 2016-17 Outturn**

See report by the Strategic Director, Commercial and Place





## TRADING BOARD

### 22 March 2017

*Present: -* Councillor Rosalind Scott (Chairman)  
Councillors Lewis Barber, Kevin Bentley, Robert Davidson, Lesley Scott-Boutell and Martyn Warnes

*Also in attendance:-* Councillor Smith

#### **152. Minutes**

*RESOLVED* that the minutes of the meeting held on 25 January 2017 be confirmed as a correct record.

**Councillor Warnes (in respect of his spouse's employment by Colne Housing) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(5).**

#### **153. Commercial Business Development – Operational Businesses**

The Board received a report from the Commercial Manager and the Commercial Transition Manager providing an update on the operational businesses. Graham Lewis, Commercial Manager, presented the report and provided an update on the services.

It was reported that Helpline had reached an agreement with the North Essex Clinical Commissioning Group and the East of England Ambulance Trust to launch a pilot lifting service and it was anticipated that this service would go live in early April. This was an excellent opportunity for Helpline to try and develop further commercial opportunities. Negotiations were also continuing with Colchester Borough Homes over the terms of the Service Level Agreement, with a view to rationalising the agreement and, where possible, delivering shared services. In response to questions from members of the Board, it was confirmed that Helpline was also in discussions with other Housing Associations, but a number of these already used other national providers.

Members of the Board also explored how Helpline was using new technology and encouraging channel shift. For example there would be some value in Helpline engaging with a partner who could encourage customers to channel shift, or incur a one off cost to get customers online. Whilst the value of such an approach was understood, officers explained that this would be resource intensive and would need further development with partners. There was also some concern about how Helpline could ensure that such arrangements were appropriately managed. Helpline staff continued to look at new technology but many of the new devices coming to market would be difficult for Helpline customers to use as they were not adapted for use by the elderly or those with visual or audio impairments. Helpline's website was reviewed regularly to ensure its accessibility.

In terms of Bereavement Services, a regular meeting with Funeral Directors was being established. This would be chaired by the Portfolio Holder and would provide an opportunity to ensure that Bereavement Services and the Funeral Directors understood each other and worked effectively together.

A brochure promoting Charter Hall events and other ticketed events would be launched shortly. This would be a soft launch initially to gauge reaction but would be followed by a more high profile launch in September. There was still a need to promote events through formats such as brochures and leaflets, alongside digital methods. The service was also looking at joint marketing with the Mercury Theatre as a first step towards greater collaboration with them.

Members of the Board sought further information about the performance of Leisure World. It was confirmed that income had fallen below target due to a shortfall in sales of Lifestyle memberships, following the opening of David Lloyd and some budget gyms. However, customers were now beginning to return and income was now back on target.

In response to queries from the Board as to how commercial ideas were taken forward and the pace at which this happened, Ian Vipond, Strategic Director, Commercial and Place, explained that the proposals for the reorganisation of the structure of the Council including the establishment of a Council owned trading company would put a greater emphasis on a commercial approach in future. The report on the lessons to be learnt from the work to create a shared service for Building Control highlighted the need for leadership from all of the organisations involved and for honesty about long term intentions at an early stage. It was better to start projects on a smaller scale and develop them further as time went on, rather than be too ambitious at the outset. In terms of some of the commercial opportunities that had been highlighted by members of the Board, he did not consider that the conditions were right to develop these proposals further at this stage.

*RESOLVED* that the contents of the report be noted.

## **154 Trading Board Annual Report 2016-17**

The Board received a report setting out the draft Annual Report of the Trading Board for the 2016-17 municipal year.

The Board welcomed the draft Annual Report and suggested couple of minor amendments as follows:-

- Improvements to the layout of the table and charts at page 9;
- Some amendments to the Review of the Strategic Director to take account of the potential implications of the proposals for the restructure of the Council and the creation of commercial company.

The Board considered that the report demonstrated the value of the Board's work and felt that it still had a role to play in the new structure. Councillor Smith, Leader of the Council, was invited to respond and stressed that he appreciated the value of the cross party work that was done by the Trading Board. It was not clear yet exactly how the board of the commercial company would be constituted. The Scrutiny Panel had been asked to look at the governance arrangements in advance of a report being submitted to Cabinet.

The Board stressed that the report should be circulated widely to partners and service users and some of the key messages and figures should be promoted through social media.

*RESOLVED* that:-

- (a) The format and content of the Annual Report for 2016-17 be agreed;
- (b) Authority be delegated to the Chairman and Group Spokespersons to agree the final wording of the Annual Report 2016-17.
- (c) Once finalised, the Annual Report 2016-17 be submitted to Cabinet.

#### **155. Trading Board Work Programme**

The Board received a report from the Assistant Chief Executive setting out the work programme for the Trading Board. Ian Vipond, Strategic Director, Commercial and Place, presented the report to the Board. The proposals for the reorganisation of the structure of the Council had been approved by Cabinet at its meeting on 15 March 2017, and a further report on the structure and governance arrangements of the commercial company would be submitted to Cabinet in June 2017. Until this work was concluded, it was difficult to be too specific about the future work of the Board. The format of the programme had also been amended, as requested by the Board, to present it as a rolling programme.

In discussion, the Board highlighted the valuable work it had done. It worked effectively cross party. It worked in a different way to the board of a commercial company, in that it generated ideas rather than concentrating on operational and governance matters. The Board discussed how it could demonstrate to Cabinet how it could play a valuable role in the new structure and the Chairman invited members of the Board to contact her with their views.

*RESOLVED* that the work programme for the Trading Board be noted.

**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.**

#### **156. Minutes – Not for Publication Extract**

*RESOLVED* that the not for publication extract of the minutes of the meeting on 25 January 2017 be confirmed as a correct record.

**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.**

#### **157. Commercial Business Development – Operational Business Performance and Income report**

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.)

#### **158. Rob Hill**

The Commercial Manager reported that the post of Commercial Transition Manager had been made redundant and that Rob Hill would shortly be leaving the Council. The Board expressed its thanks to Rob for his hard work in support of the Board and in developing the commercial services. The Chairman agreed to write to Rob on behalf of the Board to express its sincere thanks and to pass on its best wishes for the future.

*RESOLVED* that the chairman write to Rob Hill on behalf of the Board to express its sincere thanks for his hard work and to pass on its best wishes for the future.

# Trading Board

## Wednesday, 24 May 2017

**Attendees:** Councillor Lewis Barber, Councillor Kevin Bentley, Councillor Robert Davidson, Councillor Rosalind Scott, Councillor Lesley Scott-Boutell  
**Substitutes:** Councillor Dave Harris (for Councillor Chris Pearson)

### **159 Appointment of Chairman**

*RESOLVED* that Councillor Scott be appointed as Chairman for the 2017-18 municipal year.

### **160 Appointment of Deputy Chairman**

*RESOLVED* that Councillor Lesley Scott-Boutell be appointed as Chairman for the 2017-18 municipal year.



<b>Report of</b>	<b>Strategic Director</b>	<b>Author</b>	<b>Ian Vipond</b>
<b>Title</b>	<b>Creation of New Commercial Companies - Trading Board Terms of Reference</b>		<b>282717</b>
<b>Wards affected</b>	Not applicable		

**This report concerns the proposal to Cabinet for the creation of new commercial companies and the revised role the Trading Board should adopt in relation to those proposed companies and any subsequent change to the Boards Terms of Reference.**

## 1. Decision(s) Required

- 1.1 To review the proposal to Cabinet for new commercial companies and particularly the revised role for Trading Board as set out in Section 4.4 (page13) of the attached Business Case for the 'Creation of Colchester Commercial (Holdings) Limited.
- 1.2 To recommend to Cabinet any revised role of the Trading Board.

## 2. Reasons for Decision(s)

- 2.1 Cabinet will consider on the 14 June a report (attached) recommending the creation of a holding company and a subsidiary company (Trading Company). Two companies have already been approved by Cabinet (Housing Company and Energy Company) and these companies together with the Trading Company will be subsidiaries of the holding company. In connection with this the Cabinet will be asked to agree some 18 specific recommendations one of which is:

'1.9 To note that the Trading Board Terms of Reference will be revised to include their role regarding new trading opportunities, and performance monitoring for Colchester Commercial.'

- 2.2 Trading Board need to consider their future role if Cabinet decide to agree the report and its recommendations on the 14 June and recommended any suggestions to Cabinet.

## 3. Alternative Options

- 3.1 The Trading Board could consider a range of amendments to its Terms of Reference which it feels are appropriate and recommend them to Cabinet.

## 4. Supporting Information

- 4.1 Full details of the creation of the proposed new commercial companies can be found in the Cabinet report (14 June) and accompanying Business Case. Both of which are attached to this agenda.

- 4.2 The Boards attention is drawn to Section 4.4 of the Business Case (p13 of the Business Case) which sets out four areas where it is proposed the role of the Board could change. The Board may consider that these are sufficient to accommodate the new structure being created or they could consider further matters should be considered by Cabinet to address the creation of the companies and the role the Board should take in the new circumstances.

## **5. Proposals**

- 5.1 See attached Cabinet report and papers.

## **6. Strategic Plan References**

- 6.1 The Strategic Plan sets out the direction of the Borough and Council in the medium term. The new structures need to ensure implementation of the Plan with appropriate Governance arrangements.

## **7. Consultation**

- 7.1 The Trading Board is being consulted on the detail of its relationship to the proposed new arrangements.

## **8. Publicity Considerations**

- 8.1 The Cabinets decision will be reported widely to the Councils partners; the media and added to our website. If the new companies are established it is likely that they will wish to publicise their objectives and aims.

## **9. Financial implications**

- 9.1 See attached Business Case

## **10. Equality, Diversity, Human Rights, Community Safety, Health and Safety implications**

- 10.1 None particularly identified on this specific matter.

## **13. Risk Management Implications**

- 13.1 Risks have been considered in the attached Business Case. This report is specific to a particular aspect of governance and it would be a risk if the right governance arrangements were not put in place.



<b>Report of</b>	<b>Chief Executive</b>	<b>Author</b>	<b>Adrian Pritchard</b>
<b>Title</b>	<b>Creation of New Commercial Companies</b>		<b>☎ 282211</b>
<b>Wards affected</b>	All wards		

**This report requests Cabinet to approve the creation of new commercial companies.**

## Summary

This report requests authority from the Cabinet to the creation of a holding company and a subsidiary company (Trading Company). Two companies have already been approved by Cabinet (Housing Company and Energy Company) and these companies together with the Trading Company will be subsidiaries of the holding company. This structure is being created in order for the Council to progress its stated social policies in housing and energy provision together with some commercial ambitions.

## 1. Decisions Required

- 1.1 Approve the Business Case and the formation of Colchester Commercial (Holdings) Limited (Colchester Commercial) and its group structure.
- 1.2 Approve the Business Case and formation of a subsidiary company (TradingCo) as part of Colchester Commercial.
- 1.3 Note that the Business Cases have been approved separately by Cabinet for the Colchester Heat Network Company (EnergyCo) and the Housing Development Company (HouseCo) and will now form subsidiaries of the Holding Company (Colchester Commercial).
- 1.4 Delegate to the Chief Executive in consultation with the Leader of the Council, authority to finalise the Articles, and the Shareholder Agreement including the associated Reserved Matters for Colchester Commercial and the TradingCo.
- 1.5 Approve the Board of Directors for Colchester Commercial of up to 5 Directors, comprising 4 Borough Councillors, and the Managing Director of Colchester Commercial.
- 1.6 Approve the Board of Directors for EnergyCo comprising 3 Directors, being the Managing Director and Assistant Director of Colchester Commercial, and a Colchester Borough Council Senior Officer.
- 1.7 Approve the Board of Directors for HouseCo comprising 3 Directors, being the Managing Director and Assistant Director of Colchester Commercial, and a Colchester Borough Council Senior Officer.

- 1.8 Approve the Board of Directors for TradingCo comprising 3 Directors, being the Managing Director and Assistant Director of Colchester Commercial, and a Colchester Borough Council Senior Officer.
- 1.9 To note that the Trading Board Terms of Reference will be revised to include their role regarding new trading opportunities, and performance monitoring for Colchester Commercial.
- 1.10 To note that the existing budget and financial forecasts will be used as the basis of operation for the group structure for this financial year.
- 1.11 Authorise the Chief Executive to determine the Colchester Commercial and subsidiary company names.
- 1.12 Authorise the Chief Executive, following consultation with the Leader of the Council to agree the Human Resources policies that will be adopted by Colchester Commercial and its subsidiary companies.
- 1.13 To note that Service Level Agreements for services between the Council and the company group structure will be based on existing recharge levels for this financial year as set out in the Business Case, and will be reviewed as part of the 2018/2019 Business Plan.
- 1.14 Authorise the Chief Executive, following consultation with the Leader of the Council to take any other actions that are required to establish the Group Company Structure with its three subsidiaries described in this report and to enable them to commence trading activities.
- 1.15 To authorise the Monitoring Officer to make any consequential amendments to the Constitution.
- 1.16 To appoint the Chief Executive of the Borough Council as Managing Director of Colchester Commercial on a one day a week basis on pro rata pay terms to that currently received with effect from 1 July 2017. This will reduce the Chief Executives current contract with the Borough Council to four days a week.
- 1.17 To note the Chief Executive has the authority to appoint, within the Council restructure, the Assistant Director and Commercial Services Manager posts within the Company.
- 1.18 To agree to allocate £250k from the New Homes Bonus to meet one off costs in respect of set up and implementation of proposed companies as set out in section 4.

## **1.2 Reasons for Decision(s)**

Following the Cabinet's decision on 15 March 2017 the proposed company structures will enable the Council to operate in a more commercial culture and environment to address the challenges of further budget reductions. The company structure together with a more efficient senior management structure within the Council will contribute to the Council's savings targets.

## **1.3 Alternative Options**

Not to create the company structure but to consider commercial opportunities on an ad hoc case by case basis. This is not considered appropriate and accordingly is not being recommended.

## **2. Background**

- 2.1 Cabinet at its meeting on 15 March 2017 approved a report regarding the senior management restructure. One of the decisions agreed was that a further report to Cabinet be presented on the most effective Company structure for the social policy responsibilities and commercial opportunities together with a relevant business case. This report deals with those issues.
- 2.2 As financial constraints on local authorities specifically and the public sector more generally continue over the next 5 to 10 years then local authorities need to look towards more self-sufficiency in generating income and being more efficient in service delivery. This then enables the focus of resources to be on providing services to those in most need in society together with continuation of the more universal local government services provided to all residents within the Borough.
- 2.3 Therefore there needs to be a renewed emphasis on the delivery of some major policy initiatives (housing and energy supply) and more commercial services to grow business and increase income and resources. Equally important is the use of our assets for income generating purposes and a greater need to concentrate on creating and taking opportunities in the commercial market place. In addition financial borrowing to invest in business and property investments is another area to help generate much needed revenue funding for the Council. Much of this we have been doing to date but a more appropriate company and senior management structure provides for the focus and expertise to deliver even more fully on the Council's aspirations and commercial aspects of the Council's financial needs.
- 2.4 The Borough Council has a well-established company structure in Colchester Borough Homes. It also has a smaller but equally focussed Colchester Community Stadium Company which specifically concentrates its efforts on the Community Stadium activities and both the commercial and community benefits derived from its use.
- 2.5 Cabinet at its meeting on 15 March 2017 approved the business case for the establishment of a heat network company (Energy Co) subject to a further report being submitted regarding governance arrangements. This report also deals with those issues.
- 2.6 The establishment of company arrangements and the delivery of services via a company has a number of advantages over continuing within the local authority structure. These include:-
  - Clear focus on its remit
  - Quicker decision making processes
  - Ability to take advantage of business opportunities as they arise
  - Scope to change the employment package offered
  - Ability to attract different skills and workforce
  - Accelerating the different culture required
  - Better tracking and response to market changes
  - Integration into the commercial sectors' networking opportunities

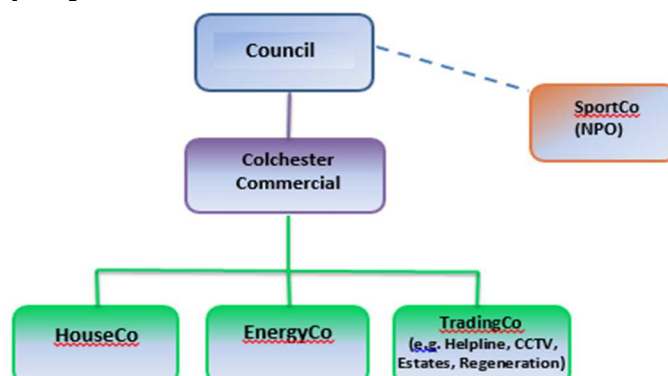
- Speeding up delivery of redevelopment more generally and affordable homes specifically
- Take advantage of other public sector partner aspirations in better utilisation of their land and property assets

- 2.7 A wholly owned local authority company allows appropriate democratic control retaining a public sector ethos but enables it the freedom to operate more commercially and respond to the needs of its customers and the business sectors in which it operates.
- 2.8 There are some potential financial implications relating to creating and operating a Company including changes to VAT requirements and corporation tax on profits made. Advice has been sought on these implications from Grant Thornton together with legal advice from Pinsent Mason which have been used to inform the business case for the proposed company structures. These are provided as confidential background papers.
- 2.8 As part of the senior management restructure it was proposed to place Sport and Leisure within the company structure. This remains an expectation but due to VAT and NNDR issues in particular further work needs to be completed before finally determining if Sport and Leisure makes financial sense to include as a subsidiary of Colchester Commercial. A further report will be provided to Cabinet once that work is complete.

### 3.0 Proposed Company Structures

- 3.1 It is proposed that the Council establishes a holding company, Colchester Commercial (Holdings) Limited (Colchester Commercial) which will be wholly owned by the Council, which in turn will own three wholly owned subsidiary companies specialising in housing development (HouseCo) , energy services (EnergyCo) and estates services, regeneration, events, cut and helpline (TradingCo). It is intended that Colchester Commercial will be a non trading company.
- 3.2 Cabinet at its meeting on 15 March 2017 approved the business case for the establishment of a Heat Network Company and in a separate report to this meeting has been asked to approve a business case for the formation of a Housing Development Company. This report seeks Cabinet approval for the establishment of Colchester Commercial and TradingCo. It is proposed that the three subsidiaries would be overseen by Colchester Commercial which would manage the over-arching business of the three subsidiaries. For completeness this report refers to all three subsidiaries for approval even though two have already now been approved.

#### Proposed Company Structure



- 3.3 This proposed structure has the potential to enable a greater degree of flexibility around management and funding and ensures that the Council retains overall strategic control. The Council will exercise its control via:
- (a) Nominating councillors to the Colchester Commercial Board;
  - (b) approving an annual Colchester Commercial Business Plan which will govern the over-arching business of the subsidiary companies; and
  - (c) implement a decision making matrix that will ensure certain strategic decisions require Council approval.
- 3.4 With the formation of any company there will be some legal company documentation that is required to be agreed and completed. This report seeks delegated authority to the Chief Executive to finalise this as set out in the decisions required at paragraph 1 above.
- 3.5 It is proposed that Colchester Commercial goes live on 1 July 2017 with 4 posts consisting of Managing Director, Assistant Director, Commercial Services Manager, and Finance Manager. The subsidiary companies of HouseCo, EnergyCo, and TradingCo will be established from 1 October 2017.

#### 4. Financial Implications

- 4.1 This report and attached business case sets out the proposals to create a commercial company structure. It should be read in conjunction with the separate report setting out the housing company business case and with reference to the business case agreed in respect of the Northern Gateway Heat Network company.
- 4.2 The table below sets out a summary of the Council' revenue budget position for the proposed Colchester Commercial and TradingCo. The position also includes the senior management review savings and a summary of the estimated revenue impact on the Council of the EnergyCo and proposed HouseCo.

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Management Fee / charges for services	1,426	1,216	1,086	1,086
Income re:-support functions	(586)	(586)	(586)	(586)
Senior Management restructuring	(60)	(208)	(208)	(208)
<b>Total cost to Colchester Borough Council (CBC)</b>	<b>780</b>	<b>422</b>	<b>292</b>	<b>292</b>
Existing budget - trading services	494	494	494	494
Existing budget - senior management roles	241	241	241	241
<b>Total existing budgets</b>	<b>735</b>	<b>735</b>	<b>735</b>	<b>735</b>
<b>Comparison to existing budget</b>	<b>45</b>	<b>(313)</b>	<b>(443)</b>	<b>(443)</b>
<i>New business case areas:-</i>				
Energy Company - CBC position	66	(80)	(77)	(74)
Housing Company - CBC position	(4)	(26)	(103)	(286)
<b>Overall Net change compared to 17/18 budget</b>	<b>107</b>	<b>(419)</b>	<b>(623)</b>	<b>(803)</b>

- 4.3 The summary shows a forecast saving to the Council compared to the current budget of £0.8m. It should be noted that this includes some projections already included in the MTFF.
- 4.4 The business case makes a number of assumptions including:-
- The companies will use support services provided by the Council.
  - An allowance has been made for additional one-off and recurring costs as a result of the company proposals.
  - The existing budget plans and forecasts for existing 'commercial' services have been included within the business case with an additional uplift reflecting an improvement in financial performance from the company arrangements.
  - Consideration has been given to taxation implications but further work is required to fully assess the impact for the company in particular in respect of VAT.
  - At this stage a neutral impact across the Council and companies in respect of employer pensions.
- 4.5 It should also be noted that the position for 2017/18 shows full budget costs and it will be necessary to apportion costs between the Council and companies when they start. There is also further work required to finalise and agree SLAs (Service Level Agreements) between the Council and companies. This will all be considered as part of the steps to agree the management fee for the companies in 2018/19.
- 4.6 A detailed business plan will be produced by the companies setting out the 2018/19 budget with projections for later years. This will inform the Council's 2018/19 budget and MTFF.
- 4.7 There remains work to conclude the setting up of the Colchester Commercial and TradingCo and to fund one off costs, some of which will require further work to confirm. The Council agreed to allocate £2.036m in the 2018/19 budget from the New Homes Bonus to support a number of objectives. As part of the decision in respect of the EnergyCo it was agreed by the RIF committee that £300k from the New Homes Bonus be earmarked to support the initial set up of the company. Given the forecast costs shown in this report it is proposed that the Council allocates a further £250k from New Homes Bonus in 2017/18 to support the delivery and implementation of the company proposals including those set out within the HousingCo business case.
- 4.8 In setting up the proposed companies it is important to consider the transfer of risk from the Council to the company. The Council does not include any general contingencies within service budgets with any 'in year' budget variances managed corporately as part of the normal budget monitoring process. The Council does though consider financial risks as part of the assessment of the recommended level of balances.
- 4.9 When the Council setup Colchester Community Stadium Ltd a 'cashflow' loan was provided to cover setup costs and initial cashflow. As part of finalising the company arrangements consideration will be given to an appropriate loan facility.

## **5. Legal Implications**

- 5.1 The result of the proposals contained in this report are that:
- (a) the Council would be a shareholder of a holding company (Colchester Commercial) and indirectly through Colchester Commercial own and control

three subsidiary companies limited by shares TradingCo, HouseCo and EnergyCo.

- (b) Colchester Commercial would appoint a board to each subsidiary company.
- (c) the Council will enter into a Shareholder's Agreement with Colchester Commercial through which it would be able to control the company and via Colchester Commercial have control over; HouseCo, EnergyCo and TradingCo.

5.2 The Council will approve a Decision Making Matrix which clearly shows the major decision making powers held by the Council; Colchester Commercial; and the three subsidiaries.

5.3 The Local Government Act 2003 ("2003 Act") enables the Council to borrow (Section1) and/or invest (Section12) money for any purpose relevant to its functions. Accordingly, in order for the Council to have the vires to prudentially borrow and/or lend funds to either HouseCo or EnergyCo, it must be shown that doing so is relevant to the Council's 'functions'.

5.4 There have been no cases under the 2003 Act to assist in the interpretation of 'functions'. However in, relation to the incidental power in Section 111 of the Local Government Act 1972 Act, the Court held that 'functions' refers to the "multiplicity of specific statutory activities that a Council is expressly or implicitly under a duty to perform or *has power to perform* under any relevant legislation".

5.5 The Council has the following powers that are relevant to the commercial ventures pursued by HouseCo, EnergyCo and TradingCo:-

- (a) the power to produce heat, establish and operate generating stations for the purposes of producing heat and the power to sell heat (Section11 of the Local Government Miscellaneous Provisions Act 1976);
- (b) a multitude of powers and duties in in respect of the development and provision of housing pursuant to the Housing Act 1985 and other relevant legislation; and
- (c) the power to establish wholly owned companies to carry out trading and commercial activities pursuant to the General Power of Competence (Section1 Localism Act 2011); the incidental powers (pursuant to Section 111 of the Local Government Act 1972); and the trading powers (contained at Section 95 of the Local Government Act 2003).

5.6 Accordingly, the Council has the legal power to carry out the relevant commercial ventures and, as such, these commercial ventures can be said to be 'functions' of the Council. On this basis, it is clear that the powers under Sections 1 and 12 of the 2003 Act can be used as authority for the Council to borrow and invest money to fund capital expenditure required by HouseCo, EnergyCo and TradingCo's working capital requirements.

5.7 The legal advice confirms that Colchester Commercial and the subsidiaries will be considered Contracting Authorities and be subject to the procurement requirements contained in the Public Contract Regulations 2015. However the advice confirms that the exemption contained in regulation 12 of the Public Contract Regulations 2015 (otherwise known as the Teckal exemption) will permit the Council and each of the subsidiaries to award contracts to each other without the need for a procurement process.

## **6. Human Resources Implications**

It is proposed that staff currently employed in the areas within the Council where the functions are being transferred to the subsidiary companies will be transferred pursuant to the Transfer of Undertakings Protection of Employees Regulations 1998 (known as TUPE). The staff would transfer into the employment of the relevant Subsidiary on the same terms and conditions that they received in the employment of the Council.

In relation to other support or ad hoc Council staff these would be seconded to the company and paid for by the company or the service bought from the Council again paid for by the company.

## **7. Risk Management Implications**

A risk register has been developed and is included as an appendix to the Business Case.

## **8. Strategic Plan References**

- 8.1 The strategic plan sets out the direction of the Borough and Council in the medium term. This company structure will ensure implementation of the plan and capacity in the areas of priority.

## **9. Equality, Diversity and Human Rights, Publicity, Consultation, Community Safety, Health, Safety Implications**

- 9.1 None particularly identified at this stage.

## **10. Publicity Considerations**

- 10.1 It will be important to inform residents, via our web presence of these changes. In addition, we will inform our public sector partners with whom we provide services to the public and to the private sector, who can take advantage of some of our property development requirements via contract for goods and services.

## **Exempt Background Papers**

Grant Thornton's report – Council Holding Company Financial, Tax and Legal Advice.

**Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (financial / business affairs of a particular person, including the authority holding information)**

Pinsent Mason's report - Colchester Borough Council's Colchester Commercial Ventures Legal Options Report.

**Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (financial / business affairs of a particular person, including the authority holding information)**





# **Creation of Colchester Commercial (Holdings) Limited and a Trading Company**

## **Business Case**

June 2017

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# **1. EXECUTIVE SUMMARY**

## **1.1 Purpose**

This Business Case is designed to provide:

- Benefits and advantages of establishing a Holding Company, Colchester Commercial and a subsidiary Trading Company,
- Governance structure for Colchester Commercial and the Trading Company
- Financial overview of Colchester Commercial's forecast performance,
- Board and management structures

Colchester Commercial (Holdings) Limited (Colchester Commercial) will be a wholly owned local authority company, limited by shares and the Council will be the sole shareholder. Initially Colchester Commercial will be established via its group structure to maximise asset return, deliver on some of the Councils social policy priorities and deliver commercial services. Colchester Commercial will be a non-trading company.

In addition, the business case looks to establish a trading company for certain services together with integrating into the company structure, two further subsidiary companies already established (Energy Company and Housing Company).

## **1.2 Drivers for Establishing Colchester Commercial Holdings Limited**

There are two main drivers for the Council why it is establishing Colchester Commercial and its subsidiary Trading Company:

- To meet the objectives of the Council's Strategic Plan 2015-18 and,
- To meet the objectives of the Council's Medium Term Financial Forecast 2017/18 to 2020/21.

## **1.3 Benefits of a Trading Company**

A wholly owned local authority (trading company) allows appropriate democratic control, retaining a public sector ethos but enables it the freedom to operate more commercially and respond to the needs of its customers and the business sectors in which it operates.

The establishment of company arrangements has a number of advantages over continuing within the local authority structure. These include:-

- Creating and embedding commercial culture,
- Clear focus on its remit and quicker decision making processes
- Scope to change the employment package offered
- Ability to attract different skills and workforce

- Better response to market changes taking advantage of opportunities
- Integration into the commercial sectors' networking opportunities
- Generate profits to meet the aims of the Council.
- Speeding up delivery of redevelopment more generally and affordable homes specifically.
- Take advantage of other public sector partner aspirations in better utilisation of their land and property assets.

#### **1.4 Financial Benefits for Establishing Colchester Commercial and its Subsidiaries**

The financial benefits of establishing the Company and its Subsidiaries are summarised in the table, below showing a forecast saving to the Council compared to the current budget of £0.8m. It should be noted that this includes some projections already included in the MTFF. Further details can be found in Section 4 of this report and the full business case attached. In addition, the separate business cases for establishing the Energy Company and the Housing Company shows significant financial gains to the Council.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	£'000	£'000	£'000	£'000
<b>Overall net change compared to 17/18 budget</b>	<b>107</b>	<b>(419)</b>	<b>(623)</b>	<b>(803)</b>

## **2. INTRODUCTION**

### **2.1 Background**

As financial constraints on local authorities specifically and the public sector more generally continue over the next 5 to 10 years, local authorities need to look towards more self-sufficiency in generating income and being more efficient in service delivery. This then enables the focus of resources to be on providing services to those in most need in society together with continuation of the more universal local government services provided to all residents within the Borough.

Therefore, there needs to be a renewed emphasis on the more commercial services to grow business and increase income and profitability, whilst delivering on some of the Councils social policy objectives of increasing housing supply; reducing energy poverty; and greater environmental sustainability. Equally important is the use of our assets for income generating purposes and a greater need to concentrate on creating and taking opportunities in the commercial market place. In addition, financial borrowing to invest in more lucrative business and property investments is another area to help generate much needed revenue funding for the Council. Much of this we have been doing to date but a more appropriate company and senior management structure provides for the focus and expertise to deliver even more fully

on the commercial aspects of the Council's financial needs.

The Local Government Act 2003 restricts local authorities from making a profit from its services, although they are able to offset on costs. The Localism Act 2011 enables local authorities to undertake activities to make a profit but only if delivered within a company.

A local authority trading company is a company established by the local authority in order to offer its services on a commercial basis. Local authorities can establish local authority trading companies through the powers in Section 95 of the Local Government Act 2003, and the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009.

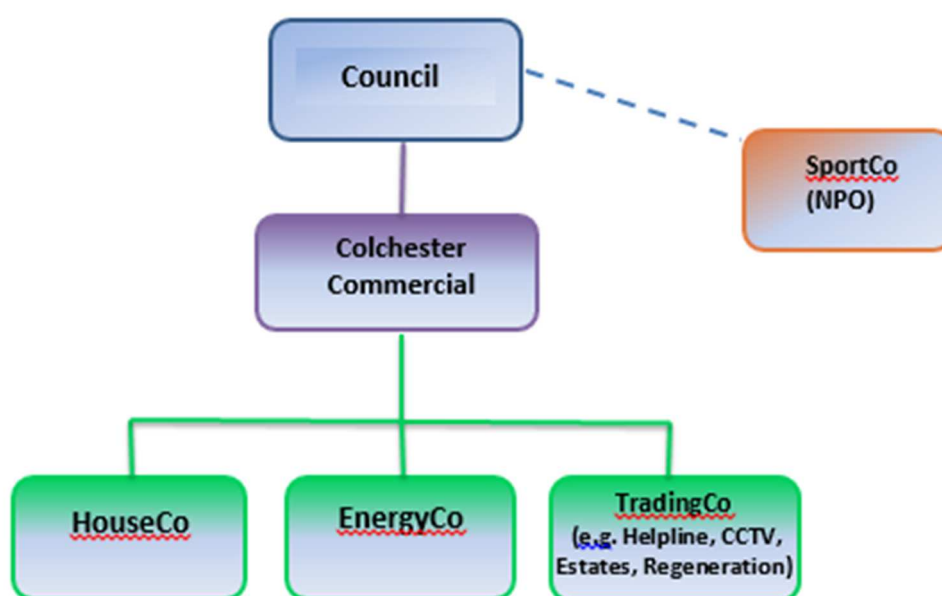
The Council is legally able to establish a wholly owned trading company where the Council retains full control over the direction of the local authority trading company, and manages its risks and receives the benefits in full. The Council will be the sole shareholder.

## 2.2 Scope and Structure

This Business case sets out the plans for, and the benefits of the Council's establishment of Colchester Commercial (Holdings) Limited known as "Colchester Commercial" and a subsidiary trading company for the provision of community alarms, CCTV monitoring; events; estates and regeneration. Colchester Commercial will be a wholly owned company, and each subsidiary is in turn, established as a wholly owned subsidiary of Colchester Commercial.

Colchester Commercial will be the conduit for governance and business plans for the subsidiaries.

### Proposed Structure



### Currently 'In Scope'

The detailed business plans for the Housing Company (HouseCo) and the Energy Company (EnergyCo) have been independently produced, with the Trading Company (TradingCo) business plans to be developed once the Colchester Commercial has been established.

It is proposed that Colchester Commercial goes live 1 July 2017 with 4 posts consisting of Managing Director (1 day a week), Assistant Director, Commercial Services Manager, and Finance Manager. The subsidiary companies of HouseCo, EnergyCo, and TradingCo will be established from 1 October 2017. HouseCo will comprise of 1 or 2 posts, and EnergyCo will initially consist of 1 post.

TradingCo will initially encompass the current Events Service, Helpline, and the CCTV Monitoring Service, along with the Estates and Regeneration functions totaling 105 headcount of staff transferring from the Council, including 61 casuals from the Monitoring and Events services. Service Level Agreements (SLA's) will be agreed for these business areas in terms of recharges and income targets.

### Future Scope

It is believed there are advantages to the Sport and Leisure business being set up as a Not for Profit Company and more detailed analysis of this business is to be carried out with further advice to be obtained regarding VAT and NNDR implications. However, the successful candidate appointed to the role of Commercial Services Manager within Colchester Commercial will be asked to manage the Sport and Leisure business on behalf of the council whilst this analysis work is undertaken. This analysis will also be looking at the systems used by this business due to the large number of transactions. The Commercial Services Manager will then produce a detailed Business Plan for the Sport and Leisure Business for 2018/2019 onwards which will either have been incorporated into the company structure or will remain in the service delivery of the Borough Council.

The reason for a manager in Colchester Commercial to manage Sport and Leisure is to continue its transition in cultural and performance terms.

## **2.3 Strategic Fit**

In 2015 the Council adopted the Strategic Plan 2015-18.

The Strategic Plan 2015-18 has a vision statement: "Rich heritage, ambitious future" and strategic descriptions of what we will work towards under:-

Vibrant	Promoting our heritage and working hard to shape our future.
Prosperous	Generating opportunities for growth and supporting infrastructure.

Thriving	Attracting business and selling Colchester as a destination.
Welcoming	A place where people can grow and be proud to live.

The establishment of company arrangements has a number of advantages over continuing within the local authority structure. These include:-

- Create a commercial culture
- Clear focus on its remit
- Quicker decision making processes
- Ability to take advantage of business opportunities as they arise
- Scope to change the employment package offered
- Ability to attract different skills and workforce
- Accelerating the different culture required
- Better tracking and response to market changes
- Integration into the commercial sectors' networking opportunities.
- Generate profits to meet the aims of the Council.
- Speeding up delivery of redevelopment more generally and affordable homes specifically.
- Take advantage of other public sector partner aspirations in better utilisation of their land and property assets.

The advantages and disadvantages are shown in the table below:

Advantages	Disadvantages
------------	---------------



<p>Colchester Commercial will provide a "strategic anchor" for the subsidiaries</p> <p>Enables the Council to exercise absolute control whilst creating an appropriate balance of autonomy and degree of separation from the Council</p> <p>Provides a forum for elected members / executives to provide leadership and accountability whilst allowing senior officers to manage and represent the subsidiaries</p> <p>Its own company decision making process whilst dovetailing into the Council's governance process.</p> <p>Provides a 'tried and tested' structure that is widely adopted in the private sector</p> <p>Enables prudential borrowing and external finance solutions to be accommodated at subsidiary level</p>	<p>Creates an additional administrative layer which may have resource and cost implications</p> <p>Creates an additional board for which the Council will need to nominate representatives</p>
--	--

Colchester Commercial will focus on:-

- Ensuring delivery of some of the Councils social policy responsibilities
- Maximising asset return,
- Delivering the Council's commercial services via TradingCo, and
- Building further Council properties from the General Fund

## 2.4 TradingCo

The TradingCo will manage and deliver the future income targets for the following:

- The Events Service,
- Helpline and CCTV monitoring.
- Sports & Leisure activities across the Borough (subject to further work and a further Cabinet report)

It will also:

- Manage on behalf of the Council, its Estates and Regeneration functions.

- Consider the potential re-alignment of services to provide new income generation
- Focus Service Reviews on commercial income opportunities

## **2.5 Housing Company**

The Council has agreed to establish a Housing Company (HouseCo) which will be part of the group of companies, as a subsidiary of Colchester Commercial to ensure it operates in line with Council philosophy and delivers on the Council's priorities. As the Council has agreed in principle to consider building further properties from the General Fund and for Colchester Borough Homes to manage the rental properties, it seems logical to utilise the expertise and senior management capacity within Colchester Borough Homes.

## **2.6 Energy Company**

The Council has agreed to establish the Heat Network Company (EnergyCo) which will be part of the group of companies as a subsidiary of Colchester Commercial to ensure it operates in line with Council philosophy and delivers on the Council's priorities.

## **3. Process**

The Council will continue to provide support services to Colchester Commercial through Service Level Agreements (SLAs). SLA's will be based initially on recharges which will be reviewed in line with the Support Services listed below. The remainder of 2017/2018 will be utilised to fully review and implement full SLA's ready for 2018/2019.

Colchester Commercial will negotiate individual SLAs with each of the Council's support services to reflect the needs of Colchester Commercial as a whole and each of its subsidiaries. Each SLA will include measurable performance indicators, break clauses and remedies for non-performance.

There will be an annual review process whereby SLAs are refined to more accurately reflect the support required by Colchester Commercial.

Support Services include:

- HR Support, including recruitment and training,
- Payroll and Pensions
- Finance- transactional finance functions and financial controller activities,
- IT- provision of IT equipment and services- including helpdesk support,
- Customer Services,
- Telephone answering service and taking telephone payments,
- Insurance provision (buildings, vehicles, employers and public liability),
- Legal Support as and when required.

### **3.1 Property and Assets**

The registered office of Colchester Commercial and its subsidiaries will be Rowan House, 33 Sheepen Road, Colchester, CO3 3WG.

### **3.2 Intellectual Property**

Intellectual property will be purchased from the Council at a nominal value when Colchester Commercial via its subsidiaries starts trading.

### **3.3 Policies and Procedures**

Colchester Commercial will continue to use all relevant Council policies and procedures in the first instance. However pay terms and conditions for newly appointed staff will be reviewed and adopted in line with future needs.

### **3.4 Information Sharing**

An information sharing protocol will be developed during implementation.

### **3.5 Data Protection**

Colchester Commercial will comply with the relevant legislation and guidance concerning Data Protection, including adopting suitable policies and procedures to ensure data is adequately safeguarded.

### **3.6 Freedom of Information**

Colchester Commercial will be subject to requests for the disclosure of information under the Freedom of Information Act 2000 in its own right. As such, Colchester Commercial will maintain a record management system that complies with the relevant guidance concerning the maintenance and management of records.

Colchester Commercial will liaise with the Council as appropriate to ensure consistency in answering Freedom of Information requests and provide such information to the Council as it may require to answer requests it has received.

### **3.7 Business Development**

In line with the Council's Vision and Values, the Colchester Commercial approach to business development will be:

- Focus on retaining our existing customer base whilst driving up quality and bringing down costs,
- Expand our customer base and income streams,
- Develop new and innovative services, and

- Build key customer relationships from a network of potential clients that will include local land and property owners, Local Authorities, Parish Councils, and Public Sector agencies.

### **3.8 Marketing Strategy**

In line with the Council's Vision and Values, Colchester Commercial will develop its marketing strategy and an identifiable brand to potential customers.

## **4. GOVERNANCE AND MANAGEMENT**

This Business Case will be delivered in full compliance with the governance requirements set out by the Council. Colchester Commercial will seek to maintain and enhance the Council's reputation and brand for high standards.

Colchester Commercial will establish and maintain an effective service and financial performance management reporting system which will include effective reports to Colchester Commercial Board and the Council's Trading Board.

Colchester Commercial will be subject to any audit and inspection requirements of the Council.

### **4.1 Colchester Commercial Board of Directors**

Colchester Commercial's Board of Directors shall comprise up to five Directors:

- (a) Four Borough Councillors and;
- (b) Colchester Commercial's Managing Director.

Colchester Commercial and its subsidiaries will deliver on some of the Borough Council's Social Policy objectives whilst retaining a public sector ethos and operating in a commercial environment. One of the four Borough Councillors will be the Council's Portfolio Holder for Commercial Services.

The quorum for board meetings shall be three and each director shall have one vote.

Board meetings shall be held at least quarterly.

An agenda for the meeting will be prepared and distributed not less than five business days prior to the meeting.

Except where the information is commercially sensitive, minutes of Board meetings will be provided to the Trading Board for noting.

### **4.2 Colchester Commercial's Managing Director and Company Secretary**

The Managing Director of the Colchester Commercial shall be the Chief Executive of

the Council. The Managing Director will act as the key conduit between Colchester Commercial and the Council, and shall have overall responsibility for ensuring compliance with the Shareholder Agreement.

The Company Secretary function of Colchester Commercial shall be carried out by the Finance Manager.

#### **4.3 Management of the Subsidiaries**

The Subsidiaries of Colchester Commercial will be managed by an Assistant Director as set out in the Subsidiaries Business Plans.

TradingCo will be managed by the Commercial Services Manager, who will work up full business plans for Helpline, CCTV, Events, and Sport and Leisure. A review of the management and resources of the Estates Events and Regeneration Function are currently under review and will be implemented prior to staff being transferred to the Company.

#### **4.4 Trading Board**

Councillors who are appointed as Colchester Commercial board directors cannot be full members or substitutes of the Trading Board.

The role of the Trading Board of the Council will be reviewed and revised to:

- (a) Recommend, where relevant, the constitution and appointment of the Board of Directors,
- (b) Receive, review and recommend the Colchester Commercial business plans annually,
- (c) Review the financial performance of Colchester Commercial, and
- (d) Make recommendations to Full Council on how it should exercise the functions flowing from its ownership of shares.

The Trading Board will still not have decision making powers but will make recommendations to the Cabinet as now.

## **5. FINANCIAL**

### **5.1 Existing service budgets**

The proposals within this report include creating company arrangements for a number of existing Council services. The following table sets out a summary of the 2017/18 direct budgets for these areas:-

	CCTV and Helpline	Events	Commercial Management	Estates and regeneration	Total

	£'000	£'000	£'000	£'000	£'000
Direct Expenditure	844	384	24	810	2,062
Direct income	(1,067)	(496)	0	(5)	(1,568)
<b>Net direct cost / (surplus)</b>	<b>(223)</b>	<b>(112)</b>	<b>24</b>	<b>805</b>	<b>494</b>

The existing budgets include some changes, specifically:-

- Senior management restructuring, including the deletion of the Economic Growth Manager post and changes made in respect of the Commercial Services Manager.
- Review and restructure of Economic Growth team

## 5.2 Support Services / Recharges from the Council

The above information includes direct budgets. In addition there are a number of support services provided or costs managed centrally for which we are required to charge to service areas to reflect the full cost. The intention is that the Council will continue to provide these support services to the new companies.

As a starting point it is assumed that the Council will continue to provide support services to the commercial companies. Formal Service Level Agreements (SLAs) will be prepared to reflect services provided. Charges made will be invoiced and will be subject to VAT as applicable.

It is proposed that a review of these SLAs and charges is carried out after 6 to 9 months to ensure the content and costs reflect the services carried out.

The summary below sets out an estimate of the current total recharges made with an assessment of those that would be applicable as charges to the company. Some charges relate more to assets which would stay with the Council or reflect an allocation of central costs which would not form part of a cost of the company. The overall position is set out in the following table.

<b>Summary</b>	Trading	Estates and Economic Growth	Total
	£'000	£'000	£'000
Insurance	13	9	22
Communications, marketing and PR	38	17	55
ICT, systems and telephony	92	60	152

Fleet	22	-	22
Finance, HR, internal audit , PSU & legal	113	102	215
Accommodation and associated facilities	74	47	121
<b>Total Company charges</b>	<b>351</b>	<b>234</b>	<b>586</b>
<i>Recharges remaining with the Council</i>			
Repairs, PPM etc	40	25	65
Property Insurance	-	42	42
Legal (council related)	3	61	64
Other corporate / allocated costs	42	37	79
<b>Total recharges remaining within CBC</b>	<b>85</b>	<b>165</b>	<b>250</b>
<b>Total existing recharges</b>	<b>436</b>	<b>400</b>	<b>836</b>

### 5.3 Charges to the Council / Management Fees

The proposed company includes functions which would provide services to the Council in addition to those services provided to external customers. These services include:-

- Estates and economic growth team who will deliver management of the Council's commercial assets, broader asset management and also major investment projects.
- The CCTV service is provided to the Council as part of the community safety arrangements and also provides an out of hour's service.
- The Events team provide management and resources to deliver community projects in addition to commercial functions

It will be necessary to agree charging methodology with the Council but this business case simply assumes that the current net cost of these functions will become a management fee paid by the Council.

### 5.4 New costs – implementation and recurring costs.

Consideration has been given to any additional costs to setup and run the proposed companies. These fall into 3 main areas and are set out in summary in the following table:-

- Corporate ICT and finance systems.
- Company costs (accounts, audit & banking etc)
- Culture change / company development

	One-off	Recurring
--	---------	-----------

	£'000	£'000
Systems Costs	95	40
Statement of Accounts, Audit etc.		25
Culture Change / Development	10	
<b>Total</b>	<b>105</b>	<b>65</b>

## Net income Projections

The income projections shown in the business case reflect those originally set out in the Events and Community Alarms business cases as amended as part of the budget process. These included assessments of the potential for income growth through new business, services and customer numbers.

In addition an initial target of a further growth in income of £100k has been assumed in 2019/20.

## Taxation

Advice on taxation (VAT, Stamp Duty Land Tax and Corporation Tax) has been received and is set out in detail within the background papers. The business plans for the subsidiary companies have been reported and reflected in those reports.

Some of the key points to note are:

- Each company will be subject to Corporation Tax on its taxable profits.
- Group relief applies through a 'losses group' meaning that any losses in one company can be used to offset profits in another company within the company structure.
- In terms of VAT the companies can form a VAT group meaning that all members are treated as a single entity.
- Support service charges to the companies will be subject to VAT.
- In respect of the trading company most charges currently made (such as community alarms) are subject to VAT and this will continue for the company.
- There is further work required to ensure that any VAT implications of the events service are fully understood and are managed.

Consideration will be given to taxation issues as part of the final arrangements of the company setup and operating arrangements.

## 5.5 Contingency / Risk factor

In setting up the proposed companies it is important to consider the transfer of risk from the Council to the company. The Council does not include any general contingencies within service budgets, however, any budget variances are managed corporately as part of the normal budget monitoring process. The Council does though consider financial risks as part of the assessment of the recommended level of balances.



As part of finalising the company arrangements consideration will also be given to an appropriate loan facility to provide for any setup costs and to provide a cashflow facility for the company.

## **5.6 Holding Company**

As set out in this Business Case it is proposed to setup a holding company; Colchester Commercial (Holdings) Limited (Colchester Commercial). This will predominantly comprise core staff resources for the company structure of: Managing Director, Assistant Director, Commercial Services Manager and Finance Manager. The estimated cost (including on-costs) is c£284k.

The cost of the team can be largely funded by existing Council budgets and was assumed in determining the senior management restructuring savings. The Finance Manager is a new position and reflects the need for additional resources within the company structure to support delivery of major projects, investment and the size of the business. Funding for this role has been identified in part from a review of the existing Economic Growth team and also from the allocation for running costs built into the Housing company and Energy company proposals.

## **5.7 New areas**

### **5.7.1 Housing company**

See separate report on 14 June 2017 Cabinet agenda.

### **5.7.2 Heat Network**

On 15 March 2017 Cabinet approved the detailed business case for the proposed Colchester Northern Gateway Heat Network development (EnergyCo). It has been recommended to full Council that the scheme is included in the RIF capital programme on the assumption of the figures and funding shown within the report (including a capital contribution of £2.5m), noting that further commercialisation work is required and a further report following this phase will be brought back to RIF Committee prior to the appointment of a contractor.

The proposed setup of a company for the development and management of the heat network was agreed and that a further report with details on the governance arrangements of the company will be brought back prior to the creation of any structure. This Cabinet report now deals with the management and governance arrangements.

It was agreed to approve that £300k of New Homes Bonus monies was earmarked to support start-up costs for the Council and Company.

## **5.8 Summary Position**

The following table sets out the summarised financial projections for Colchester Commercial and TradingCo (the table excludes EnergyCo and HouseCo which are subject to separate business cases).

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Current trading services expenditure	2,062	2,062	2,062	2,062
Holding Company staff costs	284	284	284	284
Estimated additional costs	105	65	65	65
Estimated charges from CBC	586	586	586	586
<i>Total cost of Holding Company and Trading Company</i>	<i>3,037</i>	<i>2,997</i>	<i>2,997</i>	<i>2,997</i>
Current income	(1,568)	(1,738)	(1,768)	(1,768)
New net income growth	(43)	(43)	(143)	(143)
<i>Total external income</i>	<i>(1,611)</i>	<i>(1,781)</i>	<i>(1,911)</i>	<i>(1,911)</i>
<b>Net implied management fee / charges to CBC</b>	<b>1,426</b>	<b>1,216</b>	<b>1,086</b>	<b>1,086</b>

The table shows an anticipated saving by 2019/20 of £340k.

The full budgetary position for Colchester Borough Council is set out in the table below compared to the existing 2017/18 budget. This includes savings from the senior management restructuring agreed by Cabinet.

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Management Fee / charges for services	1,426	1,216	1,086	1,086
Income re:-support functions	(586)	(586)	(586)	(586)
Senior Management restructuring	(60)	(208)	(208)	(208)
<b>Total cost to CBC</b>	<b>780</b>	<b>422</b>	<b>292</b>	<b>292</b>
Existing budget - trading services	494	494	494	494
Existing budget - senior management roles	241	241	241	241
<b>Total existing budgets</b>	<b>735</b>	<b>735</b>	<b>735</b>	<b>735</b>
<b>Comparison to existing budget</b>	<b>45</b>	<b>(313)</b>	<b>(443)</b>	<b>(443)</b>
<i>New business case areas:-</i>				
Energy Company - CBC position	66	(80)	(77)	(74)
Housing Company - CBC position	(4)	(26)	(103)	(286)
<b>Overall Net change compared to 17/18 budget</b>	<b>107</b>	<b>(419)</b>	<b>(623)</b>	<b>(803)</b>

Some of the net additional costs in year can be met from existing budgets, such as an existing allocation for culture change.

Given there remains work to conclude the setting up of the company and to fund one off costs, some of which will require further work to confirm, it is proposed that the Council allocates £250k from New Homes Bonus in 2017/18 to support the delivery and implementation of the company proposals including the Housing company.

In addition, to the impact of these changes on the Council budget it should also be noted that the MTFF also assumes additional income in respect of increased commercial income which would be delivered within the Council. The table below sets out annual increases in income currently within the MTFF.

	2018/19	2019/20
	£'000	£'000
Commercial assets	395	200
Digital Strategy	40	0
<b>Income projections in MTFF</b>	<b>435</b>	<b>200</b>

## 6. Human Resources

### 6.1 Staffing

Services transferring to the company will involve a TUPE transfer of staff transferring to the Colchester Commercial (Holdings) Limited (Colchester Commercial) or one of its three subsidiaries companies on their existing contractual arrangements and terms and conditions.

The following table provides the headcount of services transferring to Colchester Commercial (Holdings) Limited or its subsidiaries.

<b>Colchester Commercial/ Subsidiary</b>	<b>Team</b>	<b>Permanent Headcount</b>	<b>Casual</b>
Colchester Commercial	Managing Director Assistant Director Senior Commercial Manager	3	0
Subsidiary	Regeneration Team and Estates	19	0
Subsidiary	Monitoring Centre	20	24
Subsidiary	Events	5	37
<b>Total</b>		<b>47</b>	<b>61</b>

It is becoming increasingly difficult to recruit to certain professional roles and attract the people with the required level of skills to deliver significant regeneration within the Borough. The formation of the company does provide an opportunity to review

terms and conditions and salaries and develop a remuneration package which better reflects the external commercial market and address skills gaps.

In addition, the creation of the company will facilitate a re-focus on marketing, sales and income generation and as the company evolves there will be an opportunity to develop incentives to staff to deliver sales targets.

Colchester Borough Council introduced performance-related payments for Commercial Managers in 2014, in recognition of the challenges of attracting staff with commercial, private sector business skills. Commercial Managers at the Council can earn additional payments, up to a maximum bonus, depending on the achievement of income targets and procurement savings. Similar performance-related pay arrangements to building control management and staff will be implemented. In addition, the current Officer Pay Policy allows for the payments of recruitment payments (a golden hello) and retention payments.

Accepting that the terms and conditions for transferring staff are protected, we would be seeking to introduce different contractual arrangements for staff newly appointed to the company. The intention would be to offer different pension arrangements, sickness benefits, annual leave etc. The issues of creating a two tier organisation in terms of equal pay and equity are acknowledged, but this will be kept under review and managed. UNISON will continue to be consulted on the proposals as the company develops.

Colchester Borough Council is a Living Wage organisation and pays at least the living wage of £8.45 to employees. This will extend to Colchester Commercial as per staff working for Colchester Borough Council contractors.

## **6.2 Pensions**

Staff transferring from Colchester Borough Council to the company will retain their Local Government Pension Scheme (LGPS) pensions. The company will close the LGPS pension scheme to new employees once a new set of pay and terms and conditions have been approved and an alternative pension will be provided.

When staff transfer out of the local authority an actuary evaluation has to be calculated to identify the potential impact on the Council's primary contribution rate if the LGPS members transfer to the Company. The primary contribution rate may increase if transferring members are on average younger than the existing membership at the Council.

Based on the profile of staff transferring, it is not believed that the contribution rate will significantly change. An actuary calculation will also be required to calculate the employer contribution for Colchester Commercial (Holdings) Limited. If the employer contribution for the Council increases this will be balanced by a lower contribution rate for the company and therefore the overall financial impact will be cost neutral.

## **6.3 Organisational Development/Culture Change**

Investment in staffing and learning and development will be central to the success of the company. Further significant cultural shift will be required within the company if it is to be a commercial success. This will involve the establishment of a company vision, goals and new expectations in terms of working practices, clear accountabilities etc. to build some momentum.

Staff will also need to understand the difference between operating commercially within a local authority and operating in the company with an increased focus on commercial delivery and performance. This will require excellent leadership, staff engagement and coaching support.

Outcomes and performance will need to be monitored through real time information for costs, sales and income and this will require new systems and an investment in skills.

A budget of £10k has been identified from existing budgets to support staff through this transition and to ensure the Company's commercial ambitions and targets are achieved.

#### **6.4 Apprenticeship Programme**

The company will be subject to the apprenticeship levy of 0.5% of the total salary bill. The apprenticeship levy can be used to pay for training for a new apprentice or professional and skills development for existing employees.

The transfer of staff from the Council to the company will mean that the apprenticeship levy cost for the Council will reduce by the same amount that the levy will cost the company. As a separate company, Colchester Commercial Holdings Ltd will be eligible to receive the £15k apprenticeship allowance in its own right.

### **7. RISK MANAGEMENT PLAN**

The Risk Management Plan including the PESTLE and SWOT analysis is provided as an Appendix to this business case.

## RISK MANAGEMENT PLAN

## Appendix

The Localism Act requires a Council to include a risk assessment as part of the business case when establishing a local authority trading company. This risk assessment considers the risks for the proposed holding company structure

In order to properly assess the risks associated with establishing a new company a high level PESTLE Analysis and SWOT Analysis have been prepared to inform the Risk Management Plan.

### PESTLE Analysis

The PESTLE is a high level analysis that examines the external environment and identifies the Political, Economic, Social, Technological, Legal and Environmental factors that could impact the Holding Company and its subsidiaries.

<b>Political</b> <ul style="list-style-type: none"><li>• Reform of the planning, housing and energy legislation</li><li>• Economic growth</li><li>• Need to deliver more housing</li><li>• Funding</li><li>• Changes in national and or local political priorities</li></ul>	<b>Economic</b> <ul style="list-style-type: none"><li>• Investment and mortgage finance constraints</li><li>• Status of the housing and commercial property market and developments</li><li>• Interest rates</li><li>• Taxation</li><li>• Market and trade cycles</li></ul>
<b>Social</b> <ul style="list-style-type: none"><li>• Demand for home ownership</li><li>• Demand for helpline services</li><li>• Housing shortage</li><li>• Consumer choice</li><li>• Leisure spend</li></ul>	<b>Technological</b> <ul style="list-style-type: none"><li>• Energy infrastructure</li><li>• Intellectual property</li><li>• Innovation in construction</li><li>• Telecare developments</li></ul>
<b>Legal</b> <ul style="list-style-type: none"><li>• Reform in the planning system</li><li>• Banking legislation- impact on lending</li><li>• Environmental legislation and targets</li></ul>	<b>Environmental</b> <ul style="list-style-type: none"><li>• Sustainable building requirements</li><li>• Climate change</li><li>• Weather conditions</li></ul>

The biggest impact on the company structure will be felt from fluctuation in the housing market. It will be a priority of the Housing Company to monitor trends in the housing market during its business planning process to ensure that developments respond to the requirements of the local housing market.

This high level analysis does not raise any major concerns which would deter the Holding company structure from entering the competitive market to deliver the proposed services.

## SWOT Analysis

A SWOT Analysis examines the Strengths, Weaknesses, Opportunities and Threats that would impact the Holding Company structure.

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Speed of decision making</li> <li>• Reputation</li> <li>• Local market knowledge</li> <li>• Assists Council with delivering the aims of the MTFS</li> <li>• Assists the Council with delivering its strategic plan objectives</li> <li>• Established team with skills and expertise to provide early stage support</li> <li>• Immediate access to Council portfolio of land and property with potential to create a strong pipeline of future development projects</li> </ul>	<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Benefits from reform of planning system</li> <li>• Cost reduction via implementation of senior management restructure</li> <li>• Ability to act as developer of land</li> <li>• Assists the Council with accelerating the delivery of re-development and affordable homes</li> <li>• Support the culture change across the Council to a more commercial approach</li> <li>• Work in partnership with partners to ensure mutual benefit</li> <li>• Contract and Employment</li> <li>• Private sector opportunities</li> <li>• Apprenticeship opportunities</li> </ul>
<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Culture of complacency</li> <li>• Lack of experience in a commercial environment</li> <li>• Resistance to change</li> <li>• Economic downturn</li> <li>• Lack of investment in resources; website, systems and marketing</li> <li>• Council inexperienced at developing commercial companies working in competition</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Shortage of available land</li> <li>• Difficult economic climate</li> <li>• Competition from other established organisations in the market</li> <li>• Exclusion and/or isolation from partnerships</li> <li>• Property market can be subject to volatility in cost and sales</li> <li>• Adverse legislative changes.</li> </ul>

## **RISK MANAGEMENT PLAN**

### **Holding Company Strategic Objectives**

- To maximise on commercial opportunities,
- To trade in a manner that, wherever possible, acts in the best interest of the Council and its policy objectives,
- To establish the HouseCo as a successful local developer with a reputation for delivering high quality, well-designed property,
- To optimise the financial return from Council owned land and property,
- To make a positive contribution to the delivery of regeneration across the Borough to meet the Council's Strategic Plan Objectives,
- To recycle surplus funds generated from these projects to support the corporate objectives of Colchester Borough Council and enhance its reputation and financial viability

Commercial risks such as venture failure and financial loss ultimately resides with the Council. Wherever possible the Holding company structure shall put in place measures to mitigate risks. Providing and delivering services in a commercial environment is a new venture for the Council and as such it has not been possible to quantify all of the risks associated with such a venture. This in itself is a risk for the Council. However, proper performance management, monitoring, business planning and financial control at the Holding Company level will reduce and mitigate risk further.

The table below identifies the risks associated with the Holding Company structure and provides an outline of how each risk will be managed. Please note that the list provided below is not exhaustive and will be reviewed on a regular basis. It should also be noted that each subsidiary company in its own business planning process will include a risk register.



<b>Legislation</b>				
<b>Identified Risk</b>	<b>Management of Risk</b>	<b>Risk Score</b>		<b>Risk Owner</b>
Changes in Planning, Housing and Energy Policies could have an impact, for example, changes to Affordable Housing, Starter Homes, and Self-build could impact the profitability of a particular development.	The HouseCo will have regard to emerging changes to national planning policy, local planning policy and changes to legislation/regulation during the development appraisal process. These matters will be addressed through business planning and the planning application process.	Likelihood Impact Risk	3 2 6	Assistant Director – Commercial

<b>Governance</b>				
<b>Identified Risk</b>	<b>Management of Risk</b>	<b>Risk Score</b>		<b>Risk Owner</b>
The speed of the decision making process may have an impact on the Holding Company's ability to operate effectively in private sector markets.	In accordance with the Council's Constitution a Full Council or Cabinet meeting can be convened to deal with any urgent business as can a decision by the Council's Portfolio Holders. The Decision Matrix will clarify decision making at various levels.	Likelihood Impact Risk	3 4 12	Monitoring Officer
Lack of key skills amongst Board Members could result in the Holding Company failing to maximise on commercial opportunities.  Lack of key skills amongst management could result in the Holding Company failing to maximise on commercial opportunities.	Appointment by the Council of Board Members must ensure they have the necessary skills and/or development to work in a commercial environment.  Appointments to the Holding Company management positions have the necessary expertise to work in a commercial environment.	Likelihood Impact Risk  Likelihood Impact Risk	2 4 8  2 4 8	Chair of Colchester Commercial Board Managing Director of Colchester Commercial

<b>Economic</b>				
<b>Identified Risk</b>	<b>Management of Risk</b>	<b>Risk Score</b>		<b>Risk Owner</b>
<p>The Holding Company cannot increase its indebtedness without the consent of Full Council, it is likely that loans will be provided by the Council (subject to Full Council approval of the Business Case for the loan).</p> <p>If the Council's MTFS is not successfully implemented this will reduce availability of loan finance to the Holding Company. This means the Holding Company would need to borrow from the 'market' and as such will undermine the Holding Company's profitability and cash flow as the Holding Company would not be able to benefit from the same terms and conditions of a loan agreement if it went to the market for such a loan.</p>	<p>In considering an application for a loan from the Council, the Holding Company shall engage with the Council's Chief Financial Officer as early as possible to enable the Council to assess its financial position and appropriately within the MTFF.</p> <p>The Council shall make a decision on whether to provide the Holding Company with a loan as early as practicably possible; if it is not possible this will enable the Holding Company to consider alternative options for financing.</p>	<p>Likelihood Impact Risk</p>	<p>3 4 12</p>	Chief Financial Officer
	<p>All parties shall have regard to the Council's decision making processes.</p> <p>The Holding Company shall, wherever possible, adhere to the deadline requirements of the Council's Committee and Council meetings.</p>	<p>Likelihood Impact Risk</p>	<p>3 3 9</p>	Managing Director, Colchester Commercial
<p>Changes in taxation, interest rates and build cost inflation could have an impact on the viability and profitability of the Holding Company.</p>	<p>At present changes in taxation is not a known risk, however, the Holding Company should have regard to the impact of any such changes.</p> <p>Building cost inflation is the key risk; to minimise the impact of this contracts will be let with costs defined.</p> <p>The Chief Financial Officer, and the Assistant Director of Colchester Commercial together with the Board of the Subsidiary, will monitor changes and factor any changes into the business planning process.</p>	<p>Likelihood Impact Risk</p>	<p>3 3 9</p>	<p>Chief Financial Officer</p> <p>Assistant Director Colchester Commercial</p>

Economic downturn could result in less than anticipated (or even losses) assumed in the Business Plan	A full assessment of the market conditions will be carried out prior to any development commencing. In the event that an economic downturn occurs once a development has commenced, the Holding Company will assess the ability to reduce costs and reduce the development.	Likelihood Impact Risk	3 4 12	Board of Colchester Commercial
Inability to repay loans.	<p>The Holding Company Board shall inform Full Council as soon as is practicably possible of any significant changes that may impact on the repayment of the loans.</p> <p>Where relevant the Holding Company Board shall present to Full Council an amendment to the Business Plan or, if necessary, present an Exit Strategy, for approval.</p>	Likelihood Impact Risk	2 5 10	Managing Director, Colchester Commercial
In order to prosper in a commercial environment, cash flow for the Holding Company will be essential.	The Holding Company shall through the annual review of the Business Plan ensure that sufficient provision is made to provide cash flow to achieve the aims of the Business Plan.	Likelihood Impact Risk	3 4 12	Holding Company Board
Inability to finance further commercial opportunities identified or presented.	Should opportunities arise that are outside of the scope of the Business Plan the Holding Company shall liaise with the Council and prepare a revised Business Proposition, at the earliest opportunity, which will include identifying loan funding (to be approved by Full Council) that would enable commercial opportunities to be realised.	Likelihood Impact Risk	2 3 6	Holding Company Board

<b>Operational</b>				
<b>Identified Risk</b>	<b>Management of Risk</b>	<b>Risk Score</b>		<b>Risk Owner</b>
Inadequate cost controls on commercial build contracts leading to delays, overspends and reduced profitability/cash flow for the company.	Proper contract management and documentation in place prior to contracts being let.	Likelihood Impact Risk	2 4 8	Assistant Director, Colchester Commercial
Income targets set out in the Business Plan are not achieved.	Robust business plans in place with realistic achievable income targets. Business plans and income streams closely monitored against milestones with significant variations being highlighted early to Colchester Commercial and the Council.	Likelihood Impact Risk	2 4 8	Subsidiary Board Directors

Change and upheaval can, if not managed properly, impact on the quality of service delivery during a period of transition and establishment.	<p>The level of resources required is identified in the Business Plan.</p> <p>The Council shall provide sufficient resources to the Holding Company to support it until such time it is established as a new entity.</p>	Likelihood Impact Risk	1 4 4	Managing Director, Colchester Commercial
Not maintaining the services currently offered by the Council could lead to reputational damage for the Council.	<p>The Holding Company will enter into a Services Agreement with the Council which will set out the minimum requirements for service delivery.</p> <p>The Strategic Director, Policy and Place shall oversee the performance of this agreement and report, where necessary, concerns to the Trading Board and make recommendations as to the course of action that is required.</p>	Likelihood Impact Risk	1 3 3	Strategic Director, Policy and Place

**Trading Board Report – Commercial Business Development Reports 2016/17 Out Turn – June 2017**

**Author – Ian Vipond, Strategic Director**

**Commercial Trading**

Overall the Commercial Trading services over achieved in respect of surplus for the financial year. This however, was achieved by close management of costs against a reduced income against budget. Overall the Traded Services income was down £142k on budget and £174k down on costs, delivering a surplus of £762k.

Each of the Traded Services had ups and downs throughout the year and, although we were still forecasting strong performances at year end, some of the income was not realised and has been delayed until the 2017/18 financial year. This has seen Helpline/Monitoring come in under budget income and Bereavement Services delivering an above budget performance.

**Helpline/CCTV**

Helpline were hindered in their income expectations by delays in the implementation of an exciting pilot project working with the CCG and Ambulance Service. This pilot was due to start in December 16 but only got the go ahead in April 17. The income from this project slipped into the current financial year. CCTV cost and income were broadly in line with budgets.

**Bereavement Services**

The closing of Wheely Crematorium in 2015/16 for a four month period saw the Bereavement team having to cope with additional requests. There was an expectation that the income would drop to forecast levels in 2016/17 and this was the case, but a year end increase in demand had the service achieve over budget for the year.

**Colchester Events Company**

In its first year of operation this service has found its feet and is delivering a range of quality events across the town's venues. We have set some ambitious targets for 2017/18 based on the progress made in year.

**Building Control**

The Commercial Team were heavily involved in the development of an Essex wide shared service up to the end of September 2016. Throughout, the service has continued deliver its services to residents and developers across the Borough and achieved financial results broadly in line with budget.

**Estates Service**

There were overspends on employee costs across the group, which included temporary agency cover. The main shortfalls in income include; North Colchester Leisure site £100k, Charter Court £98k and Culver Centre £90k. Extra income was received in year from sites including; Nunns Rd MSCP £44k, Plot 49 at Severalls £39k, Axial Way £29k, Kwik Fit site £24k, Trinity St £20k and Colchester Business Park £16k.

**Sport & Leisure Service**

Savings on Premises Related Expenses, Supplies and Services and Third Party Payments are offset by a shortfall of income from Lifestyle Memberships, despite the removal of induction Fees. This is linked to the opening of competitor gyms across the Borough although the last three months of the year began to see customers returning to Leisure World. New cheaper 12 month contract memberships were introduced in January 2017 for the first time to offer even better value. The Activa gym extension &

refurbishment work was delayed and now plans to open August/September 2017. This will include a new studio space, additional spinning bikes and a large extension to the existing gym & should deliver income growth for Lifestyles memberships.

There were further shortfalls of income in Pools and Aqua Springs, both of which have been closed at times for development, in line with the Strategy and Business Plan, both have shown an upturn since the re-opening. Investment in a new Car Park system resulted in income levels being recovered from zero for the first 4 months to just short of the annual target with only 8 months of operation. Catering income continues to grow year on year and investment this year included a new Coffee Shop in Aqua Springs.



## Appendix 1

### Commercial Services

	17/18 Budget	16/17 Actual	16/17 Budget
costs	2459	2417	2595
income	3350	3179	3321
surplus	891	762	717

### Helpline/Sightline (CCTV)

	17/18 Budget	16/17 Actual	15/16 Actual
costs	847	855	764
income	1067	890	793
surplus	90	35	29

### Bereavement

	17/18 Budget	16/17 Actual	15/16 Actual
costs	840	732	738
income	1401	1421	1472
surplus	561	689	734

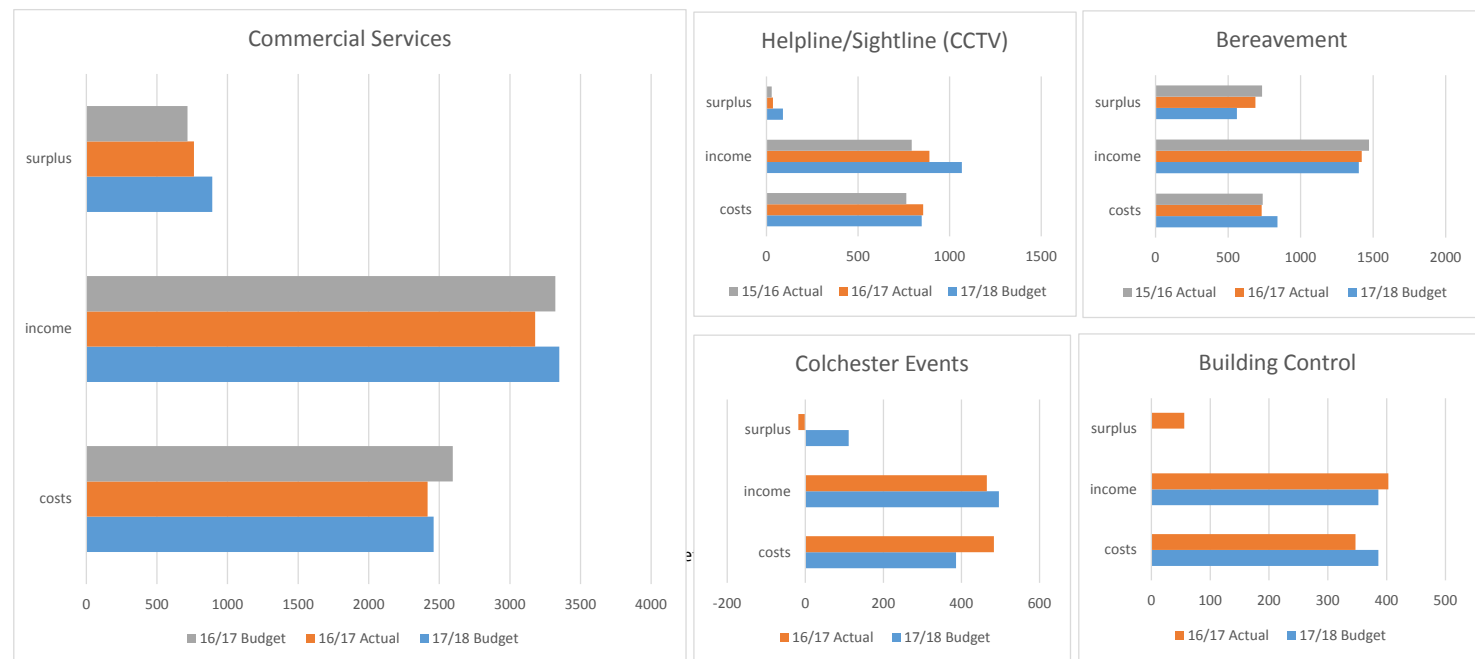
### Events

	17/18 Budget	16/17 Actual	
costs	386	483	
income	496	465	
surplus	111	-18	

### Building Control

	17/18 Budget	16/17 Actual	15/16 Actual
costs	386	347	270
income	386	403	363
surplus	0	56	93

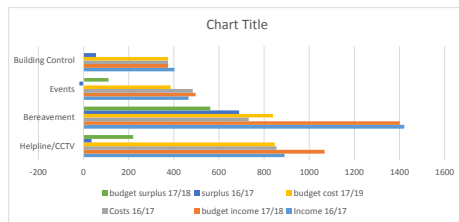
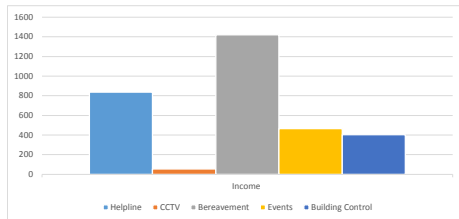
## Commercial Services - Financial Report for Trading Board Annual Report (all £000)



	Helpline					CCTV					Bereavement					Events					Building Control					Total				
	Budget	Revised	Actual	17/18	15/16 Act	Budget	Revised	Actual	17/18	15/16 Act	Budget	Revised	Actual	17/18	15/16 Act	Budget	Revised	Actual	17/18	15/16 Act	Budget	Revised	Actual	17/18	Budget	Revised	Actual	17/18		
surplus	419	422	386	582	367	332	332	351	362	338	540	558	689	561	734	89	27	-18	111	111	43	43	56	0	703	717	762	891		
income	888	926	836	1009	760	62	77	54	58	33	1369	1369	1421	1401	1472	492	522	465	496	496	418	418	403	386	3262	3321	3179	3350		
costs	469	504	450	427	393	394	409	405	420	371	829	811	732	840	738	4.3	496	483	386	386	375	375	375	386	2559	2595	2417	2459		

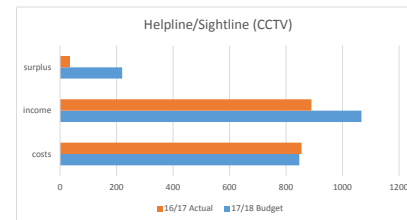
Helpline and CCTV			
Budget	Revised	Actual	17/18
87	90	35	220
950	1003	890	1067
863	913	855	847

	Income	Costs	Costs	Costs	Total surplus
Helpline	836	450	Helpline	450	16/17 actu 762
CCTV	54	405	CCTV	405	17/18 Budj 891
Bereavement	1421	732	Bereavem	732	
Events	465	483	Events	483	
Building Control	403	375	Building Cc	375	

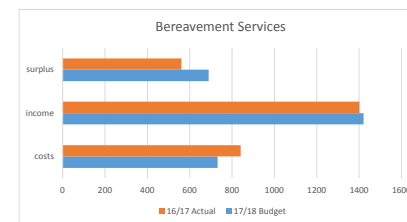


Income 16, budget inc Costs 16/1 budget cos surplus 16/ budget surplus 17/18					
Helpline/C	890	1067	855	847	35
Bereavem	1421	1401	732	840	689
Events	465	496	483	386	-18
Building Cc	403	375	375	375	56

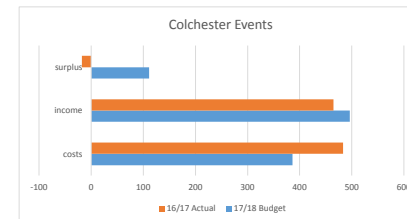
Helpline/Sightline (CCTV)			
17/18 Budj	16/17 Actual	17/18 Budget	16/17 Actual
costs	847	855	
income	1067	890	
surplus	220	35	



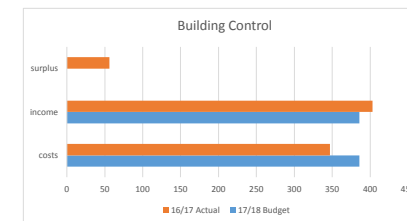
Bereavement			
17/18 Budj	16/17 Actual	17/18 Budget	16/17 Actual
costs	732	840	
income	1421	1401	
surplus	689	561	



Events			
17/18 Budj	16/17 Actual	17/18 Budget	16/17 Actual
costs	386	483	
income	496	465	
surplus	111	-18	



Building Control			
17/18 Budj	16/17 Actual	17/18 Budget	16/17 Actual
costs	386	347	
income	386	403	
surplus	0	56	



Commercial Services			
17/18 Budj	16/17 Actual	17/18 Budget	16/17 Actual
costs	2459	2417	
income	3350	3179	
surplus	891	762	

