

# Trading Board

**Rowan House, 33 Sheepen  
Road, Colchester  
14 August 2013 at 6.00pm**

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. 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.

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## **Trading Board – Terms of Reference**

- a) Monitor and review activities and functions performed by the commercial services arm of the Council, significant income generating services, any trading arms and wholly or partly owned companies.
- b) Establish and report on high level performance and financial indicators agreed within the corporate performance statements or other agreements of performance entered into between the Council and the outside bodies and report to Cabinet on any areas which give rise to concerns.
- c) Oversee any new agreements entered into between the Council and the outside bodies for approval by Cabinet or Council.
- d) Consider and influence the composition of any new body or bodies created wholly or in part by the Council including their purpose; governance; operating model; business planning function; risk factors; and recommend approval for such new arrangements to Cabinet or Council.
- e) 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 for the purposes intended by form of recommendation to Cabinet or Council for approval.
- f) Monitor, challenge and confirm for Cabinet approval significant income generating services (£250,000 or above) whether delivered by the Council's owned or partly owned companies, trading arms or Council's own provided service for the purpose of increased income or whether the business opportunity is no longer viable in its current and ongoing form.
- g) Consider any proposed new/transfer or sale/purchase of company shares and make recommendations on these for approval by Council.
- h) Monitor, review and recommend to Cabinet or Council major and strategic opportunities for procurement of services from other companies, organisations, social enterprises and the voluntary and third sector.
- i) 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.
- j) Commission any actions or make recommendations to Council or Cabinet which will facilitate the Council's decision making and policy achievements in commercial services together with changes to governance arrangements of the outside body.
- k) Recommend to Cabinet steps for the Council to be represented at any stages, processes or meetings concerning the outside bodies including the exercise of any shareholder actions on the wholly or party owned Council company.

**COLCHESTER BOROUGH COUNCIL  
TRADING BOARD  
14 August 2013 at 6:00pm**

**Members**

Chairman : Councillor Scott Greenhill.  
Deputy Chairman : Councillor Bill Frame.  
Councillors Kevin Bentley, Andrew Ellis, Julia Havis,  
Cyril Liddy and Terry Sutton.

**Substitute Members** : All members of the Council who are not Cabinet members.

**Agenda - Part A**

(open to the public including the media)

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

**Pages**

**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. Minutes**

**1 - 4**

To confirm as a correct record the minutes of the meeting held on 26 June 2013.

**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 judgment 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. Urgent Items**

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent and to give reasons for the urgency.

## **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 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 not on this agenda.

**7. Presentation**

The Board to receive a presentation from Simon Mead, Chief Executive of Eastern Enterprise Hub

**8. Trading Board - Terms of Reference 5 - 7**

See report by the Chief Executive

**9. Existing Income Streams 8 - 13**

See report by the Assistant Chief Executive

**10. Procurement Health Check Report 14 - 21**

See report from the Head of Commercial Services

**11. Work Programme 2013-14 22 - 24**

See report by the Assistant Chief Executive

**12. Exclusion of the Public**

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).

# TRADING BOARD

## 26 JUNE 2013

- Present :-* Councillor Scott Greenhill (Chairman)  
Councillors Kevin Bentley, Andrew Ellis, Bill Frame,  
Cyril Liddy and Terry Sutton
- Substitute Member :-* Councillor Helen Chuah for Councillor Julia Havis
- Also in Attendance :-* Councillor Nick Barlow  
Councillor Anne Turrell

### 2. Minutes

The minutes of the meeting held on 22 May 2013 were confirmed as a correct record.

### 3. Presentation from John Niland, Chief Executive, Central Essex Community Services

The Board received a presentation from John Niland, Chief Executive, Central Essex Community Services (CECS). CECS was a community enterprise, providing a broad range of health and social care services in the community. The presentation focused on the journey CECS undertook in moving from being a traditional provider of services to a social enterprise. In particular he stressed the importance of cultural change in releasing a more entrepreneurial and customer focused approach amongst staff and how removing hierarchical structures encouraged responsibility and empowered staff.

The Chairman expressed the Board's thanks to Mr Niland for his presentation and in discussion the following issues were raised:-

- The importance of training to underpin cultural change; for instance the shift to budgeting through income and expenditure rather than traditional public sector budgeting models had been supported by appropriate training.
- In response to a question on staff ownership, Mr Niland explained that staff at CECS have the opportunity to purchase a share in the organisation and a staff council had a role in running the organisation. However, staff had been clear that they did not wish to see a dividend paid to those holding shares and wished to see any surplus that was generated reinvested in the organisation.
- How relations with unions were handled during the journey towards a social enterprise.
- A member of the Board indicated her concern about the portrayal of nursing staff in the course of the presentation;

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

### 4. Scoping the Role and Work Programme of the Trading Board

**Councillor Frame (in respect of his membership of the Board of Colchester Community Stadium) declared a non pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(5).**

### **Scoping the Role and Work Programme of the Trading Board**

Ian Vipond, Director Commercial and Place, presented a report setting out the roles, responsibilities and suggested work programme for the Trading Board. He explained that the role of the Trading Board was to advise Cabinet on its approach to commercial matters and how it could generate income. He highlighted the work underway to develop a more commercial approach within the Council such as the creation of a new Commercial Services Group. It would be for the Board to review the opportunities of those services which had been moved into the Commercial Services Group. It would also look at the opportunities arising from the new trading arrangements for the Community Stadium Company and Colchester Borough Homes. The Board would also need to consider whether the Council had the right commercial skills in the organisation and look at how the culture of the Council could be made more business like.

A number of members expressed support for the principle behinds the establishment of the Trading Board and were excited by the possibilities it offered. It was noted that the Terms of Reference had been agreed by Council when it agreed the governance arrangements at its meeting on 20 March 2013. It was suggested by some members of the Board that the terms of reference were unnecessarily detailed and could hinder the freedom of the Board to “think the unthinkable”, make radical suggestions and take quick action. They appeared unduly process driven and were couched in typical local government language. It was suggested that they should be reviewed and shortened to make them looser and more agile. Concern was also expressed that the Terms of Reference did not explicitly refer to identifying savings or different ways of working. However, it was suggested by some members that the Terms of Reference were there to protect the Board and to ensure that when it made recommendations to Cabinet, it could not be accused of acting ultra vires.

Ian Vipond indicated that there was a dilemma between the prescriptive processes and rules that tended to govern local government processes and a commercial approach. However, this dilemma had been successfully resolved elsewhere.

In terms of reviewing aspects of the Council’s work, it was explained that the Board would not be involved in the Fundamental Service Review (FSR) process. However, it would be invited to review each of the four services that had been moved into the Commercial Services Group. It was likely that for each service, a range of trading opportunities would be put forward and the Board could recommend to Cabinet how it believed these opportunities should be prioritised and taken forward.

Other elements of work that were suggested by members as possible areas of interest for the Trading Board were:-

- Maximising income from antiquities and intellectual property rights owned by the Council;
- The procurement process, particularly the introduction of an ethical element into



the process;

- The rebranding of Colchester Borough Council;
- The commercial work of Leisure Services;
- The possibility of moving the Council's commercial services into a commercial arm outside of the Council;
- The Board should have the ability to look at all Council Services and in particular how council services, such as the Planning Service or Parks and Recreation could be sold to other authorities in order to generate income.

In response to the Panel's suggestions, Adrian Pritchard, Chief Executive, was invited to address the Board. He explained that the role of the Trading Board was to explore how the Council could generate additional income. This work would be done alongside the work to deliver a new customer focused "front end" through the programme of FSRs. That stream of work would be managed and monitored through Cabinet and Scrutiny. He welcomed many of the suggestions that had been put forward but felt that the Board might be best served by first of all looking in detail at some of the major income streams of the Council, such as car parking or the Council's use of its assets. By doing so, it would help the Council meet its target of generating an additional income of £1 million. The confidence and experience it gained through that may help it develop more radical proposals in the future.

In terms of agreeing the work programme, the Board considered that this would be best be done by a meeting of the Group Spokespersons. A similar process had worked well for the Scrutiny Panel. The Board also noted that there would be occasions, given the commercial nature of its work, where they may be need for quick decision making. It discussed the possibility of establishing a small sub group, but considered that at this stage it should seek to meet as a full Board but accepting that there may be a need to call additional meetings at short notice and accepting that not all members may be able to attend all meetings. It was also noted that some of the material that would need to be considered by the Board would be exempt material due to its commercially sensitive nature and that this might pose some challenges for the Board in being able to act quickly.

The Board noted that it could co-opt external members to sit as non voting members on the Board. However, it was the Board's view that it should develop a better awareness of the skills and experience of the Board members and any skill gaps before considering this issue further. Some concern was also expressed about the public perception of any increase in the Special Responsibility Allowance in the current economic and financial climate.

At the conclusion of the meeting, Councillor Turrell, Leader of the Council and Portfolio Holder for Strategy, addressed the Board. She thanked the members of the Board and emphasised that she was excited by the prospects for the Board. She indicated that she would like the Board to "think outside of the box" and wanted to see the Board up and running as soon as possible.

**RESOLVED** that:-

- (a) The Terms of the Reference for the Trading Board be noted and that the Chief

Executive be invited to review them;

(b) A separate meeting of the Chairman, Deputy Chairman and Group Spokespersons be convened before the next full meeting of the Board to consider and agree a provisional work programme for the Trading Board;

(c) Consideration of the issue of co-opted external members as non voting members of the Trading Board be deferred to a future meeting.

14 August 2013

Report of	Chief Executive	Author	Richard Clifford ☎ 507832
Title	Trading Board Terms of Reference		
Wards affected	Not Applicable		

**This report concerns revised Terms of Reference for the Trading Board**

## 1. Decision(s) Required

- 1.1 To consider the revised Terms of Reference for the Trading Board.
- 1.2 To make recommendations to Cabinet on the revised Terms of Reference, should the Board consider it appropriate.

## 2. Reasons for Decision(s)

- 2.1 At its meeting on 26 June 2013, the Board noted the Terms of Reference and invited the Chief Executive to review them. As the Board's Terms of Reference were agreed by both Cabinet and Council, the appropriate mechanism for amending them is a recommendation from the Board to Cabinet, which Cabinet can refer to Council if it is in agreement.

## 3. Alternative Options

- 3.1 It is open to the Board to decide not to recommend any revision to the Terms of Reference or to recommend amendments different to those outlined in this report.

## 4. Supporting Information

- 4.1. At its meeting on 26 June 2013, the Board discussed the Board's Terms of Reference. The draft minute of the Board's discussion is set out below:-

*"It was noted that the Terms of Reference had been agreed by Council when it agreed the governance arrangements at its meeting on 20 March 2013. It was suggested by some members of the Board that the terms of reference were unnecessarily detailed and could hinder the freedom of the Board to "think the unthinkable", make radical suggestions and take quick action. They appeared unduly process driven and were couched in typical local government language. It was suggested that they should be reviewed and shortened to make them looser and more agile. Concern was also expressed that the Terms of Reference did not explicitly refer to identifying savings or different ways of working. However, it was suggested by some members that the Terms of Reference were there to protect the Board and to ensure that when it made recommendations to Cabinet, it could not be accused of acting ultra vires. "*

The Board invited the Chief Executive to review the Terms of Reference. Revised Terms of Reference prepared by the Chief Executive are attached as Appendix 1 to this report. The existing Terms of Reference are set out at the front of the agenda, should members wish to refer to them.

- 4.2 The Terms of Reference were agreed by Council at its meeting on 20 March and form part of the Council's Constitution. If the Board is minded to amend the Terms of Reference the appropriate mechanism for this is a recommendation from the Board to Cabinet, which Cabinet can consider and refer to Council, if it is in agreement.

## **5. Strategic Plan References**

- 5.1 There are a number of priorities for the Council within the overall objective of seeing Colchester as the place to live, learn, work and visit these priorities require a sustainable and financed Council in order to deliver them. The Commercial approach which the Trading Board oversees is critical to the achievement of that outcome and as a result all outcomes in the Strategic Plan.

## **6. Standard References**

- 6.1 There are no particular references to; publicity or consultation considerations; or financial; equality, diversity and human rights; community safety; health and safety or risk management implications.

### 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

# Trading Board

14 August 2013

Item

8

<b>Report of</b>	<b>Assistant Chief Executive</b>	<b>Author</b>	<b>Sean Plummer</b> ☎ 282347
<b>Title</b>	<b>Existing Income Streams</b>		
<b>Wards affected</b>	Not applicable		

**The Board is invited to review current income budgets and consider any further information required.**

## 1. Action required

- 1.1 The Board is asked to:-
- (i) note the information provided on key income streams.
  - (ii) consider any further detailed information required in respect of specific service areas.

## 2. Reason for decision

- 2.1 Income from fees and charges is an important part of funding for the Council. Income budgets are monitored alongside expenditure budgets and quarterly reports are provided to Scrutiny Panel including forecast for the year end.
- 2.2 This report sets out the main income budgets as currently reported within the Council.

## 3. Background Information

- 3.1. The 2013/14 General Fund budget includes c£20m in respect of income from fees and charges. All budgets are monitored during the year, however, a particular focus is given to the following ten key income streams which account for over £12m:-

	£'000
Sport & Leisure	4,211
Car Parks	3,809
Cemetery and Crematorium	1,060
Community Alarms	767
Planning	757
Trade Waste	466
Building Control	385
Domestic Waste	332
Museums	179
Land Charges	157
	12,123

- 3.2. There are two large income items not included in this list which are:-
- (i) on street parking enforcement (£2.3m). This is not shown as it relates to the income across the whole area of the North Essex Parking Partnership and this income has to be accounted for within the ringfenced parking account.
  - (ii) investment income from commercial / surplus properties (£2.9m). Whilst this income can vary between years this is more linked to property sales / acquisitions and rent reviews. (The Trading Board will receive a report on our asset portfolio later this year).
- 3.3. Other income items not shown above include licensing fees, income from Colchester Borough Homes for services provided by the Council and income from hire of premises.
- 3.4. Appendix A sets out graphically the income budgets shown at 3.1 and provides latest information of income levels compared to budget for the first quarter of this year (April to June 2013). The three graphs provided set out:-
- Actual Income from these areas in the last 3 financial years and 13/14 budget
  - Current income variances to profiled budget at Quarter 1
  - Current income position and full year budget position for 2013/14
- 3.5. The information provided shows how income levels can vary between years and also how current income levels compare to the budget.
- 3.6. Income is of course only part of the picture and whilst last year for example a number of income targets were below budget (such as car park and sport and leisure income) these shortfalls were managed in the context of the service or the overall Council budgets.
- 3.7. The following table provides a summary of cost and income for the ten areas

	<b>Direct Spend</b>	<b>Direct Income (note 1)</b>	<b>Net</b>	<b>Non Direct (note 2)</b>	<b>Net Service</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Community Alarms</b>	347	(821)	(474)	265	(209)
<b>Car Parks</b>	1,023	(3,809)	(2,786)	784	(2,002)
<b>Land Charges</b>	151	(158)	(7)	7	(0)
<b>Planning</b>	878	(757)	120	708	828
<b>Building Control</b>	335	(385)	(50)	198	148
<b>Cemetery and Crematorium</b>	821	(1,060)	(239)	98	(141)
<b>Museums</b>	1,479	(329)	1,150	170	1,320
<b>Sport &amp; Leisure</b>	4,379	(4,271)	108	506	614
<b>Domestic Waste</b>	2,804	(1,406)	1,398	1,414	2,812
<b>Trade Waste</b>	366	(516)	(150)	0	(150)
	12,581	(13,512)	(931)	4,149	3,218

#### Notes

1. Income figures includes fees and charges and grants, reimbursements and other contributions received and so may differ to the figures within the graphs.

2. Non-direct costs relate to recharged costs. These include the costs of management of wider service area and corporate and support costs such as accommodation, finance, legal etc. For the purpose of this table capital charges are not included as they do not have any net impact on the Council's overall budget or the Council Taxpayer.

- 3.8. These figures provide an indication of the cost and income of these service areas and it would be necessary to consider these in more detail to fully understand the financial position. For example, these services mostly do not currently operate as “independent” trading businesses. Therefore, it is not necessarily appropriate to look at the bottom line cost or income figures. In some instances the costs shown does not relate directly to the income figure. For example, the domestic waste cost shown refers to the waste collection service whilst the income line refers to sale of recyclables and specific services for which charges are made. Furthermore, some charges are externally set (such as planning application fees) whilst others are determined by the Council (such as car parking and sport and leisure charges)

#### **4. Strategic Plan references**

- 4.1. The priorities within the Strategic Plan are reflected in the Budget and Medium Term Financial Forecast and earned income forms an important part of overall budget.

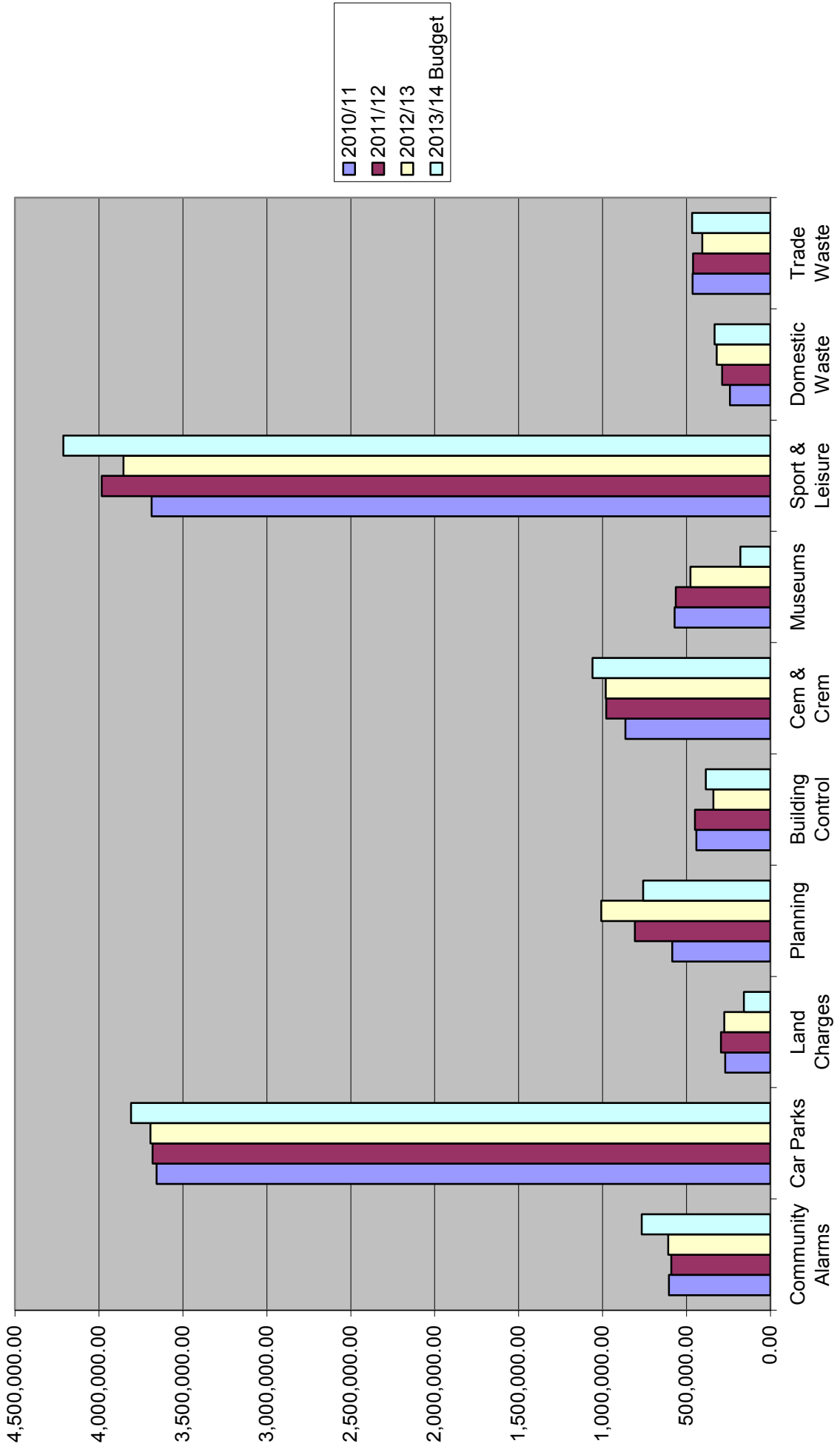
#### **5. Financial implications**

- 5.1. As set out within this report.

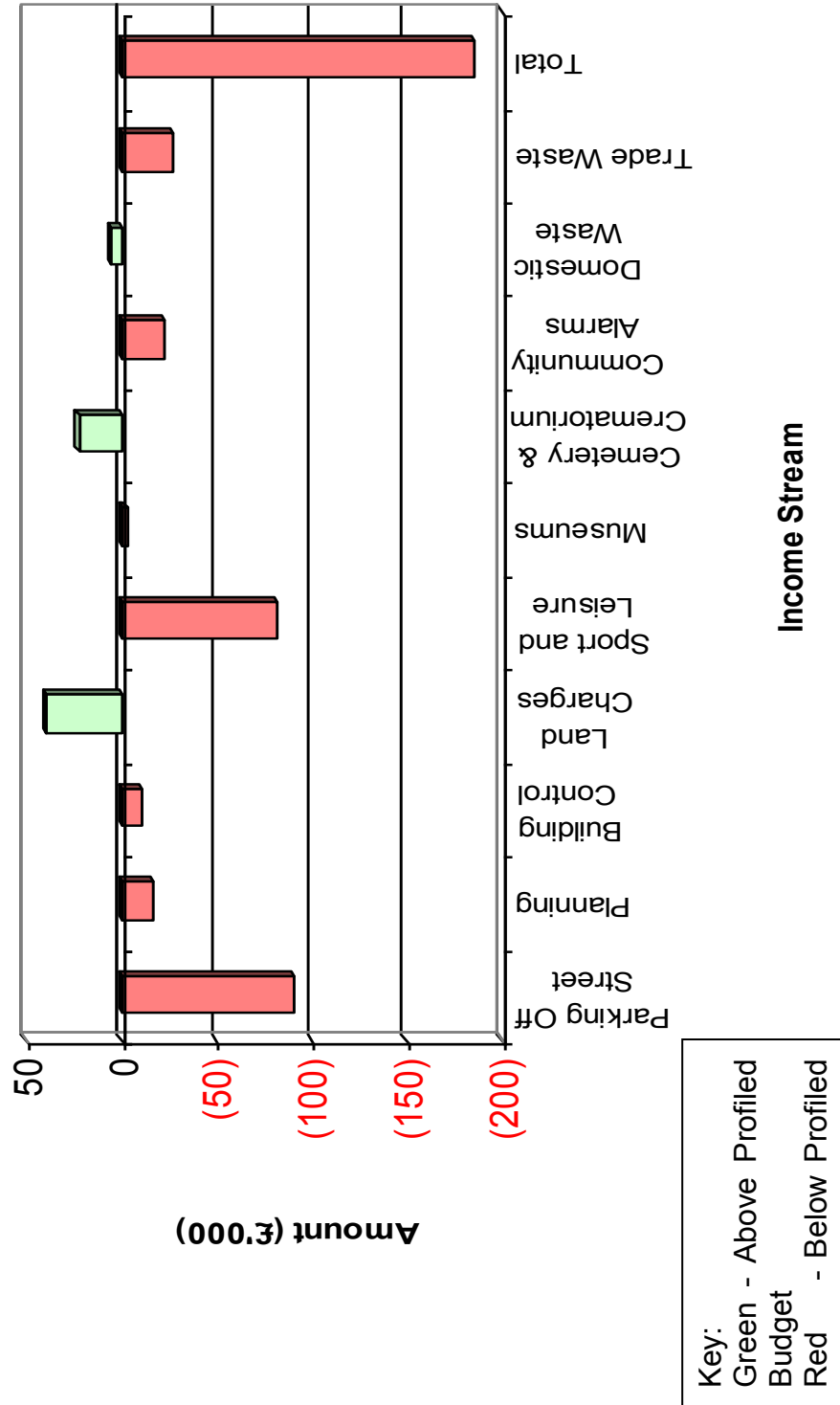
#### **6. Other Standard References**

- 6.1 Having considered consultation, publicity, equality, diversity and human rights, community safety, risk management and health and safety implications, there are none that are significant to the matters in this report.

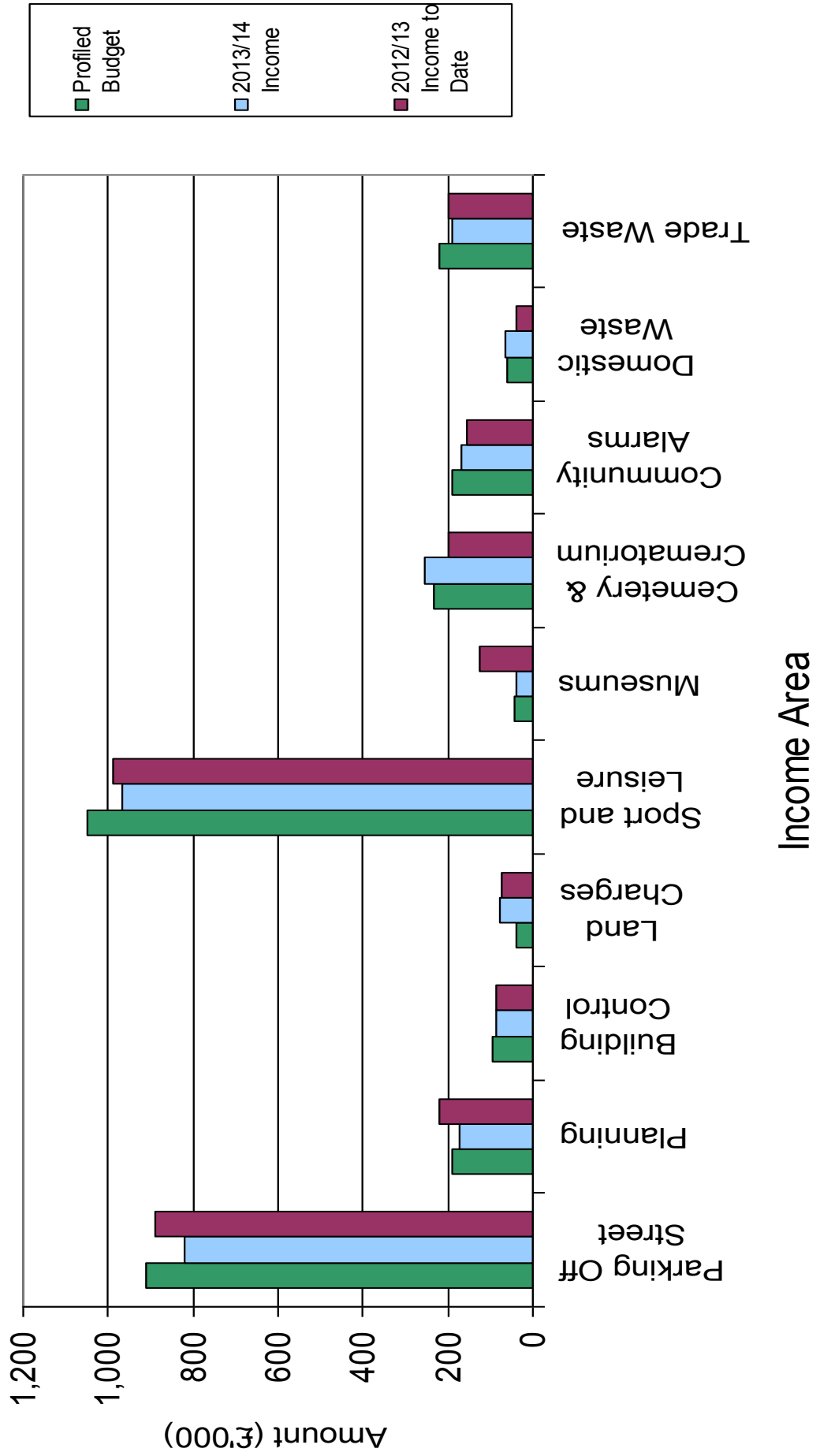





Variance of Actual Income to Profiled Budget to the end of June 2013



**Key Income Risk Areas - Profiled Budget to Date, Actual Income to the end of June 2013 and 2012/13 Income to the end of June**



14 August 2013

<b>Report of</b>	<b>Head of Commercial Services</b>	<b>Author</b>	<b>Gareth Mitchell</b>
<b>Title</b>	<b>Procurement Health Check Report</b>		 <b>506972</b>
<b>Wards affected</b>	All wards		

**This report concerns the findings of a Procurement Health Check carried out on the Council's procurement functions in support of the commercial development work.**

## 1. Action(s) Required

- 1.1 Trading Board are asked to consider the East of England Local Government Association (EELGA) Procurement Health Check summary report at Appendix 1 and make recommendations to Cabinet on the proposed approach set out in the report.

## 2. Reasons for Decision(s)

- 2.1 The Trading Board's Terms of Reference (subject to further review at the 14 August 2013 meeting) include the following:-

h) Monitor, review and recommend to Cabinet or Council major and strategic opportunities for procurement of services from other companies, organisations, social enterprises and the voluntary and third sector.

i) 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.

- 2.2 Trading Board are therefore asked to review the EELGA Procurement Health Check summary report, which is intended to diagnose areas for improvement and development in the Council's procurement capability.

## 3. Alternative Options

- 3.1 Not to review the EELGA Procurement Health Check summary report, which would miss the opportunity for the Trading Board to assess at a high level current procurement practice in the Council and fulfil its role in the Council's constitution with regard to monitoring and review of procurement.

## 4. Supporting Information

- 4.1 One of the key challenges set out in November 2012 in the Universal Customer Contact (UCC) Fundamental Service Review (FSR) business case was to secure long-term financial resilience for the Council so that it can continue to serve the needs of a growing and ever-changing population. The generation of commercial income and savings will be vital to the future resilience of the Council in delivering excellent frontline services during a time of reducing government grant. The opportunity for the Council is to build a

sustainable commercial services arm for the Council which will create a focus for commercial activities throughout the whole organisation that will grow over time to support the political aspirations of the administration expressed through the Strategic Plan.

- 4.2 As part of this commercial development work, it has been recognised that there is an opportunity to bring a more commercial rigour and approach to procurement in its widest sense, in particular to get better returns from the early assessment of procurement options and from the management of contracts once they are in operation.
- 4.3 An Associate from the East of England Local Government Association with expertise in service commercialisation and procurement was therefore commissioned to carry out a Health Check of the Council's procurement functions, and the Health Check report is attached at Appendix 1. The report was compiled through interviews with a wide range of Council staff who have different roles in the procurement process and included analysis of current procurement performance and activity.

## **5. Strategic Plan References**

- 5.1 The Commercial approach which the Trading Board oversees is critical to the achievement of all outcomes in the Strategic Plan.

## **6. Financial Implications**

- 6.1 The Health Check report sets out the potential costs and savings arising from pursuing the proposed approach to developing the Council's procurement functions. Subject to Trading Board's recommendations, these potential costs and savings will require further analysis.

## **7. Risk Management Implications**

- 7.1 There are risks associated with the investment proposed in the Procurement Health Check report and the estimated savings anticipated from that investment. These risks will be incorporated into and proactively managed through the risk register for the Universal Customer Contact (UCC) Fundamental Service Review (FSR), which is reported to the Implementation Board on a regular basis.

## **8. Standard References**

- 8.1 The EELGA Procurement Health Check report is advisory in nature, and therefore there are no direct publicity, consultation, equality, diversity and human rights, community safety or health and safety implications arising from this report. However each of these will have to be considered as individual proposals are progressed.

## **Appendices**

Appendix 1 - East of England Local Government Association (EELGA) Procurement Health Check summary report

## Colchester BC - Procurement Health Check (Summary)

### 1. Introduction

In scope, the Authority spends c. £38.7m on goods and services (incl. capital c. £14.5m and HRA c. £8.1m) with 1,458 live suppliers and 10,000+ orders pa.

As part of our wider brief to support the CBC Commercialisation Theme, East of England LGA was asked to conduct a high-level health check of the Authority's procurement arrangements. This report summarises our main findings and recommendations.

### 2. "As Is" Position and Targeted Improvement Areas

In general terms, the Authority's spend profile, procurement regime and performance are not atypical when compared with its peer group. There are unexploited opportunities to innovate, improve performance and ultimately increase the value derived from cash spend.

In specific terms, we consider that the Authority needs to:

- Confirm, communicate and fully resource its strategic procurement objectives
- Focus on managing the complete procurement and commissioning cycle in the round, avoiding internal silo mentality and ensuring there is full clarity as to how, why and where the organisation commits resources (see Appendix 1)
- Embed an organisational procurement culture based upon improved team working and driven by the need to improve value derived from scarce resources rather than being compliance led (whilst ensuring that corporate, statutory and legal obligations are fully met)
- "Invest to save" in professional procurement delivery resource (capability and capacity) and training (skills development) across the organisation to ensure that all officers involved in procurement and contract management are appropriately skilled, supported and can act effectively as intelligent clients.
- Ensure that the procurement operating regime is specified in terms of simple, risk based standard process ensuring that the associated financial systems are fully supportive (c/o current FSR process)
- Formalise the reporting line for Corporate Procurement and confirm the ongoing role of the Braintree Hub.

In so doing, the Authority will ensure that the £38m spend is a reliable source of cashable savings i.e. existing and future contracts will be subject to robust review and management so ensuring such savings are identified and fully collected from budgets.

### 3. Performance Headlines

The evidential base to the review included a detailed review of performance indicators for the “as is” position with peer group comparison where appropriate – some specific headlines are presented below:

Total spend (£'m)	£38.7m
Number of (active) suppliers	1,458
Number of supplier accounts	c. 10,000
% suppliers generating 20% of spend	0.1% (2 suppliers)
% suppliers generating 50% of spend	0.5% (8 suppliers)
% suppliers generating 80% of spend	3.8% (55 suppliers)
Number of orders	10,266
% suppliers generating 20% of orders	0.5% (7 suppliers)
% suppliers generating 50% of orders	3.9% (58 suppliers)
% of suppliers with 2 or less orders pa	865 (59%)
Contracts on Contract Register	278
Due to expire	45
Live procurement exercises	37

### 4. Future Corporate Procurement Arrangements

#### 4.1 Current Model and Resources

In general terms, there are four functions to procurement namely: Buying, Compliance, Accounts Payable (“AP”) / Supplier Management and Contract Management.

In terms of Compliance (including Legal support) and AP/Supplier Management, we would consider that the Authority is adequately resourced and skilled within the current central team. The challenge here is to improve the delivery of these functions through better engagement with Services together with improvements to supporting operating processes and financial systems.

As to Buying and Contract Management, much of this work is currently conducted within Services to varying quality and consistency. There is a limited amount of central support available for the former, including the procurement manager provided via the Braintree Procurement Hub (effectively without any net revenue cost to the Authority).

In practical terms, the Authority's spend does not justify a substantial dedicated resource to support centralised procurement and the operating model of devolved procurement with central capacity and specialist support will be sustained.

The challenge therefore is to increase commercial capacity and skills associated with Buying and Contract Management to ensure that the best value is obtained and available cashable savings are realised.

## **4.2 Investment Proposal - Commercial Procurement Manager**

We consider that this challenge can best be met through the appointment of a highly commercial professional Procurement Manager with a specific brief to manage the Buying function (including Braintree Hub resource) and to drive the organisational change programme with active support from the SMT.

This is a role with a maximum two year lifespan, when the bulk of available savings should be secured. This post-holder would also put robust processes in place to manage procurement on a maintenance basis going forward. In turn, we would recommend that this role should be fulfilled on a fixed term contract basis.

As an indicative cost, a suitable full time individual on contract would constitute a net investment of c. £62k pa (including on costs).

## **4.3 Return on Investment (ROI)**

ROI will come from two routes viz. 1) buying better and 2) managing better.

In terms of buying better, to confirm the "size of the prize", the Authority needs to undertake some straight-forward work in order to understand fully its current spend profile and the detailed contract renewal schedule.

As a working assumption, a saving of 5% on 1/3<sup>rd</sup> (reflecting current contract renewal schedule) of the accessible spend (excl. capital or HRA) would represent a savings target of c. £268k pa for each of the first two years.

In terms of net payback versus the investment requirement, the targeted annualised savings for the next two years would be £536k versus an investment of £124k equating to a payback in excess of 4:1

In terms of managing better, the cashable benefits of improved contract management can be substantial but difficult to quantify. Assuming that payback is achieved by buying better, additional benefits accrued through improved contract management in the first two years can be deemed incremental to these numbers.

The robust processes to be put in place for future years must include the capturing and recording of ongoing savings to ensure that this benefit can be accurately quantified and become part of the "business as usual" expectations of the Authority's senior managers.



#### 4.4 Corporate Procurement's Organisational Location

Compliance (including associated Legal support) and AP/Supplier Management are primarily functions associated with shared support services and in our view should be managed on a corporate basis accordingly.

Through the review process, three distinct options for the Buying function were identified viz. within 1) the new Commercial Arm, 2) Corporate Services or 3) Braintree Procurement Hub.

Option 1 has been selected by the Senior Management Team (SMT) as its preferred model. This is a relative innovation whereby Buying is considered a commercial function and managed as such. The advantages of this are:

- Treats Buying as a commercial function aligned with other commercial functions such as sales and customer account management.
- Places Buying in an environment that is driven around the development of a commercial organisational culture and the related re-engineering of services.
- Directly supports the development of supply chain delivery partner arrangements to support the development of commercial activities.
- Provides a high degree of organisational focus on improving Buying on a short delivery time-frame

Option 2 is the conventional solution whereby Buying is combined with the other Corporate Procurement functions. The advantages of this are:

- Integrated Corporate Procurement function with a single line of departmental control
- Direct interaction with related Corporate Services i.e. Finance for information provision and ICT for systems development.
- Ability for Corporate Services to provide a single comprehensive service (“one stop shop”) to internal customers

Option 3 goes to the heart of the role, effectiveness and longevity of the Braintree Procurement Hub. It would require a re-definition of the relationship and more demanding expectations from it. The potential advantage of this is:

- Build upon existing procurement platform and use it more effectively to leverage combined spend through greater collaboration with Hub partners

## **5. Concluding Remarks**

The Authority's SMT has fully accepted the findings and recommendations of East of England LGA's diagnostic review. Moving forward, SMT is now focussing on effecting the necessary changes at the direction of the Chief Executive.

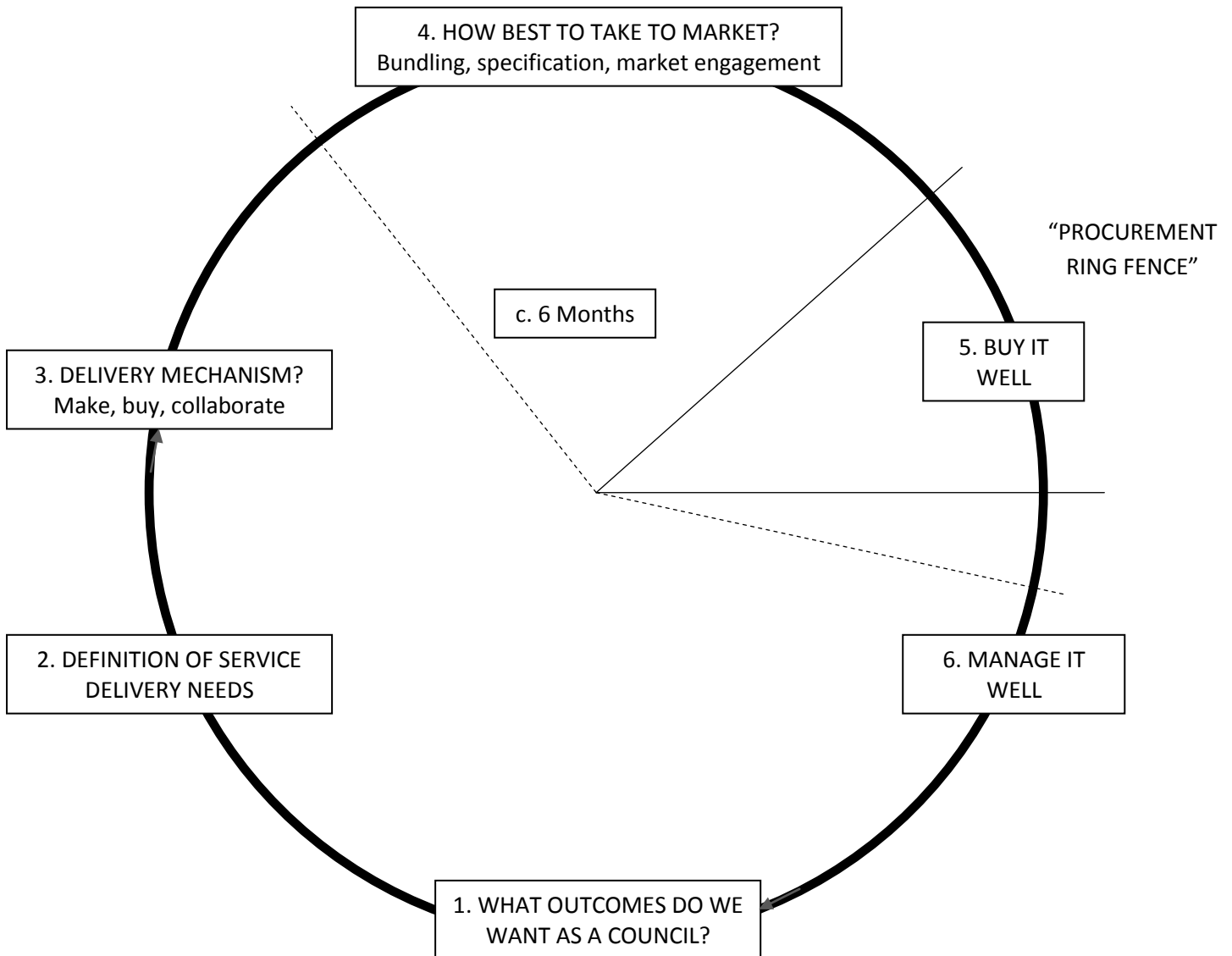
Prepared by:  
Dave Fergus, Lead Associate – Service Commercialisation  
East of England LGA

Issue date: 29<sup>th</sup> July 2013

Attachment:

Appendix 1 – Full Commissioning Cycle

## APPENDIX 1 – FULL COMMISSIONING CYCLE



Stage	Responsibility (Primary and Secondary)
1.	Leadership Team (Members and Executive)
2.	Senior Management Team
3.	Service Team + Corporate Procurement Professional
4.	Service Team + Corporate Procurement Professional
5.	Corporate Procurement Operational + Service Team
6.	Service Team + Corporate Procurement Operational

# Trading Board

14 August 2013

<b>Report of</b>	<b>Assistant Chief Executive</b>	<b>Author</b>	<b>Richard Clifford</b>
<b>Title</b>	<b>Trading Board Work Programme 2013-14</b>		<b>☎ 507832</b>
<b>Wards affected</b>	Not Applicable		

**This report concerns the work programme for the Trading Board 2013-14**

## 1. Decision(s) Required

1.1 To note the Work Programme for the Trading Board.

## 2. Reasons for Decision(s)

2.1 At its meeting on 26 June 2013, the Board agreed that a separate meeting of the Chairman, Deputy Chairman and Group Spokespersons be convened before the next full meeting of the Board to consider and agree a provisional work programme for the Trading Board.

## 3. Alternative Options

3.1 It is open to the Board to agree amendments to the Work Programme.

## 4. Supporting Information

4.1 At its meeting on 26 June 2013, the Board agreed that a separate meeting of the Chairman, Deputy Chairman and Group Spokespersons be convened before the next full meeting of the Board to consider and agree a provisional work programme for the Trading Board.

4.2 This meeting was held on 22 July 2013. The provisional work programme set out at Appendix 1 has been drafted on the basis of the discussions at that meeting. This schedules in a review of a commercial service at each of the remaining meetings for the 2013-14 municipal year.

4.3 It is suggested that the work programme be subject to regular review and that the work programme be a standard item on future agendas.

## 5. Strategic Plan References

5.1 There are a number of priorities for the Council within the overall objective of seeing Colchester as the place to live, learn, work and visit these priorities require a sustainable and financed Council in order to deliver them. The Commercial approach which the Trading Board oversees is critical to the achievement of that outcome and as a result all outcomes in the Strategic Plan.

## **6. Standard References**

- 6.1 There are no particular references to; publicity or consultation considerations; or financial; equality, diversity and human rights; community safety; health and safety or risk management implications.

## Trading Board 2013-14 Work Programme

Date of Meeting	Scheduled items of business
14 August 2013	<p>Presentation from Simon Mead, Chief Executive of Eastern Enterprise Hub</p> <p>Revisions to Terms of Reference</p> <p>Procurement Overview</p> <p>The Council's main areas of income generation</p>
18 September 2013	<p>Improvement East report on Framework for Commercial Work</p> <p>Commercial Service Review: either Helpline or Building Control</p>
20 November 2013	<p>High level Performance and Financial Indicators</p> <p>Strategic Asset Management</p> <p>Commercial Service Review: either Helpline or Building Control</p>
8 January 2014	<p>Commercial Service Review: either Engineering or Cemetery and Crematorium</p> <p>Strategic Procurement Opportunities</p> <p>SPV Business case/ Northern Gateway Commercial opportunity</p>
12 March 2014	<p>Commercial Service Review: either Engineering or Cemetery and Crematorium</p> <p>Trading opportunities existing CBC companies.</p> <p>Workflow commercial opportunities</p>

