


18 June 2014

Report of	Director of Commercial and Place	Author	Ian Vipond
Title	Annual Report 2013/14		 282717
Wards affected	'Not applicable'		

This report sets out the Annual Report of the Trading Board for its first year 2013/14

1. Decision(s) Required

- 1.1 To agree the Annual Report for the year 2013/14.
- 1.2 To ask Cabinet to note the Trading Board's Annual Report 2013/14.

2. Reasons for Decision(s)

- 2.1 The Board agreed that it would produce an Annual Report in a form similar to that of a Company with share holders. The Report was intended to give both Cabinet and the wider public a record of the Boards performance.

3. Alternative Options

- 3.1 The Board can amend the Annual Report as required.

4. Supporting Information

- 4.1 The Trading Board was introduced at the start of the last municipal year as a new way to advise Cabinet on how the Council approaches commercial matters and how it may increase its income. Appendix 1 shows the list of reports received by the Board in its inaugural year. The draft Annual Report 2013/14 is attached at Appendix 2.
- 4.2 As part of the review of how the Council works going forward the Trading Board and the new Commercial Services Group were formed to respond to one of the key challenges set out in November 2012 in the Universal Customer Contact (UCC) Fundamental Service Review (FSR) business case, namely to secure long-term 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 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 us is to build a profitable 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 Councils financial position and so help deliver the Strategic Plan.

5. Proposals

- 5.1 To approve the Trading Board's Annual Report 2013/14.

6. Strategic Plan References

- 6.1 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.

7. Financial Implications

- 7.1 There are no financial implications of the report itself and the Report contains a financial assessment of the year.

8. Risk Management Implications

- 8.1 There are no specific risks that relate to the implications of the decisions on this agenda.
- 8.2 There are numerous risks inherent with commercial undertakings and the Commercial Services Group monitors them and puts in place appropriate mitigation. They include amongst others the following range of risks:
- Timings of income delivery
 - Services exposed to commercial choices before support is made available
 - Level of investment needed
 - Limitations in the market for commercial opportunities
 - 3rd party risks

9. Standard References

- 9.1 There are no particular references in this report that relate to the; publicity or consultation considerations; or; equality, diversity and human rights; community safety; or health and safety implications. However each of these will have to be considered as individual proposals come forward.

Background Papers

UCC FSR Business Case Cabinet Report 28 November 2012
Trading Board Reports for the year 2013-2014.

Reports to Trading Board – 2013/14

Date of meeting	Reports/Presentations
22 May 2013	➤ Appointment of Chairman/Deputy Chairman
26 June 2013	<ul style="list-style-type: none"> ➤ Presentation from Chief Executive, Central Essex Community Services ➤ Scoping the Role and Work Programme of the Trading Board
14 August 2013	<ul style="list-style-type: none"> ➤ Presentation from Chief Executive of Eastern Enterprise Hub ➤ Trading Board - Terms of Reference ➤ Existing Income Streams ➤ Procurement Health Check Report ➤ Work Programme 2013-14
18 September 2013	<ul style="list-style-type: none"> ➤ Local Authority Company Structures ➤ Confidential Report - Commercial Review of the CCTV and Community Alarms Service
20 November 2013	➤ Confidential Report - Commercial Review of the Cemetery and Crematorium
8 January 2014	<ul style="list-style-type: none"> ➤ Framework for Commercial Opportunities ➤ Confidential Report - Commercial Review of Community Alarms Service - Business Plan ➤ Confidential Report - Commercial Review of Building Control Service - Situation Analysis and Options Paper
26 March 2014	<ul style="list-style-type: none"> ➤ Confidential Report - Colchester Borough Homes Trading Strategy and Protocol ➤ Confidential Report - Commercial Review of Building Control Services - Business Plan Update ➤ Confidential Report - Commercial Review of Bereavement Services - Business Plan

**Colchester Borough Council
Trading Board**

Annual Report

2013/14

DRAFT



**Chairman's Statement
Strategic Directors Review
Consolidated Accounts
Governance
Risks and uncertainties**

Chairman's Statement

This is the first Annual Report of the newly formed Trading Board for 2013-2014

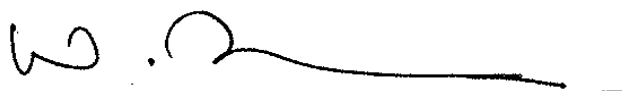
These are undeniably challenging times for Local Government and all Local Authorities face substantial reductions in funding while they continue to strive to deliver front line services while search for ways to meet their customers growing expectations. For many of our residents and businesses they have been through a very difficult time and Colchester Borough Council has taken a number of initiatives to try helping them and enabling them to improve their situation. The Council has taken action to put itself on a more sustainable financial footing, to put in place a strategy to ensure it can deal with continuing cuts in funding while opening up opportunities to meet its customer's needs. Critical to this strategy has been to look at commercial opportunities, to explore the use of its own assets for income delivery and to make its operations more businesslike including how it purchases its goods and services. Overseeing this strategy it has put in place the new Trading Board.

This has been quite a year for all of us involved with the Trading Board; undoubtedly we have been doing quite a bit of learning as we have begun to understand the role of the new Trading Board and what it might be capable of. Under the Chairmanship of Cllr Scott Greenhill the Board has found its feet; explored the potential for increasing the Councils income and reducing costs through a range of Commercial opportunities and consider a number of Business Plans to put ideas into action.

We started the year questioning our terms of reference and asking for reports which explored the range of work which the Board could consider. We received a number of reports which explored the theoretical approach to commercialisation in the public sector, but we also quickly moved to consider various situation analysis reports for a number of services. As we grew into our stride we considered options for specific services and ultimately Business Plans which led to specific requests for investment or re-engineering which we reported to the Cabinet and with which they agreed.

Next year we expect to put forward more proposals for re-investment and start to see some positive returns on those already agreed.

I must thank all of my fellow Board members who have indeed risen to the challenge of being on a Trading Board which has required a different approach to that traditionally asked of Councillors. I must also specifically thank Councillor Scott Greenhill for chairing the Board in its inaugural year and I know the Board will wish him well for the future.



Cllr Bill Frame
Deputy Chair Trading Board 2013/14

Strategic Director's Review

Much of the work through this first year has been about putting in the building blocks from which to deliver on a Commercial Strategy which is both a necessity, but also a real opportunity. It's a necessity if the Council is going to achieve its target of not being reliant on Government Grant by 2017, but it is also the start of a hugely ambitious approach to changing the culture of the organisation. In this way it is intended to make it more businesslike and to deliver a range of commercial mechanisms and subsidiary businesses that will allow a step change in both the Council's financial standing and in Council Service delivery.

This drive to look at commercial opportunities is firmly set within the Council's public sector ethos, we are ultimately here to deliver public services and improve the well being of the Borough's residents and businesses. It is in this context that one of the key roles of the Board has been to appraise each opportunity to ensure the right mix of commercial entrepreneurialism and public service.

The Trading Board and the Commercial Services Group have had a busy first year.

The work of the Trading Board is encompassed in the matters they considered and then the actions they recommended following the reports they received at their meetings. Those reports and key recommendations of the Trading Board are set out below:

Reports to Trading Board and resulting Actions – 2013/14

Date of meeting	Reports/Presentations
22 May 2013	➤ Appointment of Chairman/Deputy Chairman
26 June 2013	➤ Presentation from Chief Executive, Central Essex Community Services ➤ Scoping the Role and Work Programme of the Trading Board
14 August 2013	➤ Presentation from Chief Executive of Eastern Enterprise Hub ➤ Trading Board - Terms of Reference ACTION – agreed revised ToR following amendments to make them more Businesslike. ➤ Existing Income Streams ACTION - The Board be provided at a future meeting with a report on measures typical to commercial enterprises in the sport and leisure environment ➤ Procurement Health Check Report ACTIONS - (i) In view of the significant potential savings to be

	<p><i>secured, arrangements be made for a Commercial Procurement Manager to be appointed on a two year fixed term contract;</i></p> <p><i>(ii) The appropriate future location of the Council's corporate procurement functions be within the new Commercial Services arm of the Council;</i></p> <p><i>(iii) The remit of the Commercial Procurement Manager be drawn up to include a requirement for the post holder to report to the Council's Trading Board on a Quarterly basis.</i></p> <p>➤ Work Programme 2013-14</p> <p>ACTION - <i>Arrangements be made for the Board to agree an Annual Report at the end of each Municipal Year for submission to Cabinet and Council.</i></p>
18 September 2013	<p>➤ Local Authority Company Structures</p> <p>➤ Confidential Report - Commercial Review of the CCTV and Community Alarms Service</p> <p>ACTIONS - <i>(a) The inherent lack of opportunity for commercial development and revenue generation offered by retaining the CCTV and Community Alarms services as a single integrated service structure be recognised and that the Council pursue the "de-coupling" of the services from an organisational and operational point of view.</i></p> <p><i>(b) An outline Business Case for the spin out of the Community Alarms Service into a commercially focused entity, possibly via the interim route of a Local Authority Trading Company, be prepared and be submitted to the meeting of the Trading Board in November 2013</i></p>
20 November 2013	<p>➤ Confidential Report - Commercial Review of the Cemetery and Crematorium –</p> <p>ACTIONS - <i>(a) A revised report be prepared for the Cemetery and Crematorium services based on the following principles:- the Cemetery and Crematorium services be formally consolidated into a Bereavement Services business. A number of future operational options for the service be explored, to include:-</i></p> <ul style="list-style-type: none"> <i>• Refreshment/enhancement;</i> <i>• Spinning out;</i> <i>• Outsourcing;</i> <i>• Leasing out the operational elements of the service;</i> <p><i>Establishment of a Council-run funeral business.</i></p> <p><i>(b) Further information be provided to the Trading Board about the facilities costs given in the profit and loss summaries for both the cemetery and crematorium.</i></p> <p><i>(c) A report on recharging be submitted to the Trading Board in due course.</i></p>
8 January 2014	<p>➤ Framework for Commercial Opportunities</p> <p>ACTIONS - <i>i) the appraisal framework is confirmed as an appropriate mechanism for assessing commercial opportunities as they come forward; and</i></p>

	<p><i>ii) the Commercial Opportunity Matrix is a useful starting point for the identification of a pipeline of future assessments.</i></p> <p>➤ Confidential Report - Commercial Review of Community Alarms Service - Business Plan ACTIONS – (i) <i>Cabinet approve the Business Plan for the Council's Community Alarms Service; and</i> ii) <i>Cabinet consider how they would fund the revenue investment required by this Business Plan in the first two years.</i></p> <p>➤ Confidential Report - Commercial Review of Building Control Service - Situation Analysis and Options Paper ACTION - <i>Officers develop an outline Business Plan for the Building Control Service based on 'Option Three: Partnership Approach' provided in the Options Paper; and an update be provided to the Trading Board at its next meeting</i></p>
26 March 2014	<p>➤ Confidential Report - Colchester Borough Homes Trading Strategy and Protocol ACTIONS - (a) <i>The Board's comments following the review of the Colchester Borough Homes Trading Strategy 2013-16 and the Colchester Borough Homes/Colchester Borough Council Trading Protocol be noted;</i> (b) <i>Officers from both the Council and Colchester Borough Homes develop more detailed proposals for how the trading opportunities available to CBH should be progressed for the benefit of both organisations and the communities they serve, including proposals for the creation of a trading subsidiary, and a further report be submitted to the Trading Board in due course.</i></p> <p>➤ Confidential Report - Commercial Review of Building Control Services - Business Plan Update ACTIONS - (a) <i>Following the review of the Commercial Business Plan update for the Council's Building Control service, the current focus of the work be supported and it be recommended to the Portfolio Holder for Planning, Community Safety and Culture that the Council sign with the partner identified in the report a Memorandum of Understanding in order to develop further a Building Control business proposal for the East of England.</i> (b) <i>Arrangements be put in place to enable members of the Trading Board to gain a better understanding of the day to day work of the Building Control service.</i></p> <p>➤ Confidential Report - Commercial Review of Bereavement Services - Business Plan ACTION - <i>that the Business Plan for the Council's Bereavement Services be approved.</i></p>

The ongoing Commercial work programme and its RAG status at the end of March 2014 are set out in the **Commercial Programme Report** as follows:

Report No: COM/007	Date: 28 th March 2014	Period: March 2014
Programme Sponsor: Ian Vipond		Programme Manager/s: Nigel Myers
Projects & IDs: <ul style="list-style-type: none"> • P13/145 – Asset-based trading arm • P13/163 – Operational Services Reviews • P13/164 – Commercial Framework/Model • P13/182 – Procurement 		Project Manager/s: <ul style="list-style-type: none"> • Fiona Duhamel • Gareth Mitchell • Ian Vipond • Ian Vipond

Overall Commercial Programme Progress & RAG Status

	RAG Status		Comment on overall progress and status and any recommended actions
	This Period	Last Period	
Time	Green	Green	Delivery continues to pick up pace with projects beginning to implement within original timescale.
Cost	Green	Green	Further work undertaken on the 2014/15 budget has identified sources of income to inform a clearly itemised plan. Targets look achievable.
Resource	Amber	Amber	<p>Additional consultancy support retained to enable the completion of the Commercial Services Reviews.</p> <p>Commercial Manager interviews on March 28th. Commercial Procurement post being shortlisted.</p> <p>Further work ongoing identifying and addressing any gaps in the capacity to deliver particularly in specialist areas where in house expertise is limited.</p> <p>Consultants engaged to provide specialist advice on the Northern Gateway including demand & destination management, the potential viability of the rugby club move and challenged to generate additional £200k revenue on a 'no win no fee' basis.</p>

Delivery/ Outcome	Green	Green	<p>Community Alarms Business Plan (including marketing/product & pricing plan) being implemented following approval.</p> <p>Commercial Review of Bereavement Services - Business Plan went to Trading Board on March 26th identifying the transition period required to address income improvement and business capacity issues.</p> <p>Commercial Review of Building Control Services - Business Plan Update went to Trading Board on March 26th detailing alternative business model options for BC Engineering function will be transferred to Colchester Borough Homes on April 1st. Issues regarding trading strategy, protocol, subsidiaries and managing surpluses are being resolved.</p>
Benefits	Green	Green	<p>The targets for the Commercial work are mainly seen in financial terms but there is a wider benefit associated with moving the culture of the organisation to being more business-like, whilst still continuing an ethos of public service.</p> <p>Net contribution target of £935,000 by year 4 2016/17. Returns to-date largely capital and these need to be turned into revenue generating proposals.</p> <p>Capital sums can in turn be available to forward fund the delivery of future projects.</p>
Overall Status	Green	Green	<p>Momentum continues to build with projects progressing broadly in line with the original timescale. Procurement is probably the biggest area of risk because of the unknowns – work has commenced to address this. A recalibration of the costs element of the budget has completed and at this stage the theme is progressing well.</p>

Recent progress to end of March 2014

Programme Objectives/Outcomes	Action Undertaken & Timescales	Communications Update
Business Plan presented/approved	Cemetery & Crematorium – position prepared for Trading Board (March 26th) Building Control models scope and scale identified for Trading Board decision (March 26th)	None
Implementation Plan	Community Alarms – consultation underway with new structure to follow	None
Secure asset (land & buildings) deals	<ul style="list-style-type: none"> - Northern Gateway Masterplan – Chartered Surveyors (GVA and Colliers) appointed to provide specialist advise on a draw down basis - Northern Gateway – progressing search for private sector partners and to possible prime developer in 2014 - individual commercial approaches for land on Northern Gateway are assessed in context of developing plan for whole site - David Lloyd Leisure Facility – paper outlining Heads of Terms agreed by Cabinet on March 17th - East Colchester site long lease negotiations agreed terms subject to final ratification and agreement on cost contributions - High level review of investment property and a revolving investment fund underway - draft paper to follow - Ongoing input from GVA regarding finance leases - Vineyard Gate paper (Heads of Terms) agreed by Cabinet on March 17th - Costings complete for Rugby Club 	None
Commercial Posts	Commercial Manager being interviewed on March 28 th Commercial Procurement Manager being shortlisted	None

The key actions for the coming year are:

- We will continue to develop the financial mechanisms that we need to deliver the commercial targets using the models developed for Commercial Services.
- We will work with our own businesses as they develop to ensure their business plans deliver their 14/15 and 15/16 targets.
- We will put in place an asset strategy that specifically delivers the income required in current and future years.
- We will manage the procurement process such that savings are driven out of the procurement cycle to ensure overall financial targets are met.
- We will find joint commercial opportunities with other local authorities and businesses and actively seek to turn them into joint ventures that deliver increased income.
- Through the People Strategy we will deliver a development programme to enhance the commercial skills within the organisation, both targeted at specific skills and business managers and through the whole organisation to raise our skill base and free our commercial spirit.
- We will ensure leadership is provided within the organisation that is visible and seen to be driving the change to deliver a business organisation.
- We will encourage commercial innovation throughout the organisation and provide the mechanism for people to turn business ideas into reality.

Consolidated Accounts

The Business case for the Universal Customer Contact Fundamental Service Review (UCCFSR) set out the financial targets for the commercial element of its implementation and these are built into both this last years budget, but also the medium term budget forecast. These are:

Type	Year 1	Year 2	Year 3	Year 4
	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000
Cumulative Net cost (Income)	30	(295)	(785)	(935)

This table represents the high level commercial targets and requires further breakdown so that the individual elements of the commercial work can be seen in the context of what they can bring to the overall target. This will include the three main areas of work:

- Asset Income
- Trading Services
- Procurement

As the Board has seen as proposals come forward there could well be a requirement to invest in order to deliver income or savings and whilst not shown within the overall budget it was clearly indicated that there would be costs as well as income. However it will only be when business cases come forward that will be able to be certain about the relative costs and the likely net outcome.

In the Board's inaugural year the financial position was:

		13/14 Actual £'000
Delivering Asset Income	Revenue contribution towards delivering asset sales	42
	Asset related revenue income	(52)
Initial investment	One-off costs relating to initial support / consultancy	40
Net cost		30

This shows that net costs in what was expected to represent a transitional year have been contained within the budget sum. In addition to the revenue

outcome a number of capital receipts were delivered in year relating to the asset based work with further decisions made which will deliver further capital receipts.

In the coming year we are expecting the key financial forecasted figures to be achieved by.

		14/15 Forecast £'000
Investment in Commercial Services	On-going costs of agreed new posts	99
Delivering Asset Income	Asset related revenue income	(190)
Trading Opportunities		(54)
Procurement		(300)
Net Saving		(445)

The UCC FSR target for 2014/15 is £295k, however, there is also an additional budget target of £150k in respect of procurement savings giving a total budget target of £445k. Work is continuing to refine these targets and it is likely that there may be some changes between these headings, although the overall target is still forecast to be achieved. In addition to the revenue implications shown it should be noted that:-

- the 14/15 revenue budget includes an assumption of additional income in terms of the cemetery and crematorium.
- investment in the community alarms service is proposed to be funded through a separate budget allocation
- a number of capital receipts will be delivered in year
- costs involved in delivering asset sales will be financed through the capital programme or through separate revenue provisions

Governance

The Trading Board members were:

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.

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.

Risks and uncertainties

There are a range of specific risks that relate to the implications of the Commercial work covered within this report. There is a risk that the work of the Board and that of the Council officers requires new skills and aptitudes and an element of this has been recognised by the intention to employ additional key managers with external commercial experience. In addition the Council is to commission a training programme to develop further those skills within the organisation.

There are numerous risks inherent with commercial undertakings and the Commercial Services Group monitors them and puts in place appropriate mitigation. They include amongst others the following range of risks:

- Timings of income delivery
- Services exposed to commercial choices before support is made available
- Level of investment needed
- Limitations in the market for commercial opportunities
- 3rd party risks

:

The key risks identified for the three main areas of work as of March 2014 are

Assets - There remains a concern that the Council rules around financing leases are such as to prevent some opportunities being counted as revenue rather than capital receipts. This is being explored with our Finance team and external advisors.

Procurement – There are significant savings targets for delivery in the year 2014/15 and there is a danger that work to achieve these will start at the beginning of the year so whole year savings will be difficult to achieve. This is being monitored and hit list of early targets is to be developed.

Trading Services –Some opportunities require investment and/or partners to fully materialise and these can take time to put in place this could mean missing the opportune moment to maximise returns. Work is focused to ensure timing milestones are achieved.