

Trading Board Meeting

**G3, Rowan House, 33 Sheepen Road,
Colchester, CO3 3WG**

Wednesday, 18 June 2014 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 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

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The Council audio records all its public meetings and makes the recordings available on the Council's website. Audio recording, photography and filming of meetings by members of the public is also permitted. The discreet use of phones, tablets, laptops and other such devices is permitted at all meetings of the Council, with the exception of Committee members at all meetings of the Planning Committee, Licensing Committee, Licensing Sub-Committee and Governance Committee. It is not permitted to use voice or camera flash functionality and devices must be kept on silent mode. Where permitted, Councillors' use of devices is limited to receiving messages and accessing papers and information via the internet. Viewing or participation in social media is at the discretion of the Chairman / Mayor presiding at the meeting who may choose to require all devices to be switched off at any time.

Access

There is wheelchair access to the Town Hall from St Runwald Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please use one of the contact details at the bottom of this page and we will try to provide a reading service, translation or other formats you may need.

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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, 18 June 2014 at 18:00

Member:

Councillor Julia Havis
Councillor Bill Frame
Councillor Kevin Bentley
Councillor Roger Buston
Councillor Robert Davison
Councillor Mark Cory
Councillor Dave Harris
Councillor Justin Knight
Councillor Rosalind Scott

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 **Minutes**

To confirm as a correct record the minutes of the meeting held on 26 March 2014.

Minutes of meeting 26 March 2014

9 - 10

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 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.

6 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.

7 Trading Board Annual Report 2013/14 11 - 26

See report by the Director of Commercial and Place

8 Recharges 27 - 36

See report by the Assistant Chief Executive

9 Proposal to Establish a Revolving Investment Fund 37 - 44

See report by the Head of Commercial Services

10 Trading Board Work Programme 2014-15 45 - 48

See report by the Assistant Chief Executive

11 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)

12 Not for publication extract of minutes of meeting 26 March 2014

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

13 Commercial Business Development

Item Title

14 Update on Colchester Borough Homes Trading Subsidiary

Item Title

15 Update on Building Control Proposals

Item Title

TRADING BOARD 26 MARCH 2014

Present :-

Councillor Scott Greenhill (Chairman)
Councillors Andrew Ellis, Bill Frame, Julia Havis, Cyril Liddy

Substitute Members

Councillor Sue Lissimore for Councillor Kevin Bentley
Councillor Will Quince for Councillor Terry Sutton

Also Present: -

Councillor Turrell and Councillor Smith

24. Minutes

The minutes of the meeting on 8 January 2014, including the not for publication extract published in Part B of the agenda, were confirmed as a correct record.


25. Work Programme 2013/14

The Board considered a report concerning the Work Programme for the Trading Board 2013/14. Whilst a number of items had been provisionally scheduled for first meeting of the 2014-15 municipal year a fuller report on the work programme for 2014/15 would be submitted to the meeting in June 2014 for the Board to consider.

Gareth Mitchell, Head of Commercial Services, explained that the Commercial Review of Engineering Services was no longer included in the Work Programme. The Engineering Team, which was a small team consisting of two officers, had been transferred to Colchester Borough Homes as part of the transfer of the Facilities Team. This would be a more appropriate location for the team. The transfer should be seamless and the services the team provided could still be accessed in the usual way. It was therefore no longer necessary to undertake a full commercial review of the service.

RESOLVED that the Work Programme for the Trading Board be noted.

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

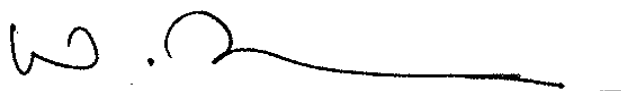
These are undeniably challenging times for Local Government and all Local Authorities face substantial reductions in funding while they continue to strive to deliver front line services while search for ways to meet their customers growing expectations. For many of our residents and businesses they have 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 Councils financial standing and in Council Service delivery.

This drive to look at commercial opportunities is firmly set within the Councils 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 – <i>agreed revised ToR following amendments to make them more Businesslike.</i> ➤ Existing Income Streams ACTION - <i>The Board be provided at a future meeting with a report on measures typical to commercial enterprises in the sport and leisure environment</i> ➤ Procurement Health Check Report ACTIONS - <i>(i) In view of the significant potential savings to be</i>

	<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

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 - 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.

Report of	Assistant Chief Executive	Author	Sean Plummer ☎ 282347
Title	Recharges		
Wards affected	Not applicable		

The Board is invited to consider and comment on current arrangements for corporate recharges

1. Action required

- 1.1 The Board is asked to:-
- (i) note the arrangements and methodology for recharges within the Council's accounts.
 - (ii) consider and comment on the information shown and planned improvements proposed in paragraphs 3.22 to 3.24.

2. Reason for decision

- 2.1 The Board has considered a number of business proposals during this year. These have set out the current costs of running services and have included commentary relating to recharges.
- 2.2 It was agreed that a report exploring recharges in more detail should be submitted to the Board in due course.

3. Background Information

Background

- 3.1. Budgets are largely monitored and scrutinised based on 'direct costs'. In this way **all** costs of the Council are monitored based on the service that incurs the costs whether this is a service area such as Leisure World or a support service such as Human Resources. This ensures that there is ownership and accountability for all budgets at the point the cost is incurred.
- 3.2. A number of savings have been delivered or identified in respect of 'support service' costs. These include savings made in recent years from reviews of ICT, accountancy, legal and communications and more recently through ICT contract savings and the agreed changes arising from the review of Corporate and Financial Management (C&FM) which will deliver cost savings of £300k.

Context

- 3.3. Recharges enable the full cost of services to be shown. This can aid comparison of costs with other organisations and enable decisions on charging and subsidy to be taken in the light of full cost information.

- 3.4. The Chartered Institute of Public Finance and Accountancy (CIPFA) produce a document on an annual basis called the Service Reporting Code of Practice (SeRCOP). This gives guidance on how costs should be reported in an effort to get some degree of consistency across local authorities.
- 3.5. The SeRCOP sets out the main areas of costs by service type and also provides a subjective analysis (such as employees, premises related costs etc). There is also a requirement to report the “total cost of a service” and this is defined as including all expenditure attributable to the service activity. Both direct costs and support costs must be included and this is the reason for the recharge process that is carried out.
- 3.6. Reporting based on “total cost” also helps to inform good business decision making such as when making savings or setting charges and also when comparing costs with others.

Colchester Approach

- 3.7. Currently budgets are shown as falling into two categories:-
- *Direct* – Budgets where the real direct cost of delivering the service or income is shown. For example staff costs, property costs and supplies and services.
 - *Non Direct* – Includes statutory recharges within and between services.

“Anatomy of a budget”

- 3.8. Appendix A provides an illustrative example of a budget for a service showing what constitutes direct costs and income and the type of transaction that is included within non-direct costs. This shows that for this service area:-

The direct cost is	£4.3m
The direct income is	£4.5m
<i>The net direct income is therefore</i>	<i>£0.2m credit</i>
Recharges total	£1.3m
<i>The total net cost of the service is</i>	<i>£1.1m</i>

- 3.9. The Council’s structure and way of working will impact on the recharges that are required. For example, in recent years some functions have been centralised such as communications and repair and maintenance. Budgets for these areas used to be held within service areas but are now managed within Corporate and Financial Management (C&FM). As such it is now necessary for recharges to be made to reflect the costs of these two areas within service budgets. Therefore, the cost of communications is now mostly shown with the direct budget of C&FM with the cost to the service shown as a non direct recharge.
- 3.10. As set out earlier there is a requirement for the total cost of services to be shown. To achieve this recharges are carried out. Recharges are made based on 4 broad headings:-
- support services (such as our offices, ICT, finance, HR and ICT, comms etc)
 - senior management costs (such the Head of Service)
 - service management accounts (such as a GMT or other manager(s) who looks after more than one service function)

- technical accounting adjustments (such as the requirements to show depreciation etc which have no bottom line impact on the taxpayer)

3.11. Appendix B sets out an analysis of all current recharges. This includes charges made from support services (mostly C&FM) and also charges made within service areas (often termed management account recharges). For all of these it shows:-

- What is recharged
- How the recharge is made
- Where the recharge is made to

Basis of recharges

3.12. The basis for recharges has been agreed to be simple to administer and understand whilst ensuring that we comply with SeRCOP. For example:-

- HR costs are recharged based on employee numbers
- Property insurance costs based on a valuation basis
- Cleaning costs based on estimated hours clearing different properties.

3.13. The allocation of costs could be market based or negotiated and the use of service level agreements (SLAs) and detailed time recording have previously been used for some support service recharges. However, this tends to be time consuming and can lead to internal disputes as to the level of any charge or whether a charge is appropriate.

Where charges are made to

3.14. Some recharges are made to individual costs centres, for example to Colchester Leisure World or to the waste and recycling service. A large number of support service recharges are made to Heads of Service, for example the Head of Operational Services, who then in turn use an assessment on which to pass their costs down to individual service areas.

3.15. In summary it is fair to say that recharges comprise both costs which can be directly attributable to a service as well as an apportionment of corporate overheads.

Recharges in a trading environment

3.16. As explained, recharges are included to show the full cost of a service. As such they should be considered when examining business cases for the delivery of services. This is particularly relevant when considering any changes to the delivery of a service that will impact on support service costs. For example a business plan may include requirements for:-

- additional marketing support
- changing location
- investing in new IT

3.17. What is important to consider is will the change result in actual increased or decreased costs to the Council. For example, a service may be charged a cost for HR and payroll based on the number of employees. If a business case includes a proposal to increase or reduce staff numbers there may be a change to the recharge, however, a comparatively small change in staff numbers is unlikely to impact on the costs of providing HR and payroll support.

3.18. Where a decision is taken to deliver a service through a separate company or body it will be necessary to agree appropriate charges for services. For example, the Council provides a number of services to Colchester Borough Homes (CBH). These are set out in SLAs and are treated as income in the Council's accounts.

- 3.19. As the Council is a Democratic organisation it has costs associated with this which are not charged to services. We are required to account for these within what is known as the Corporate and Democratic Core (CDC).

Summary and planned development

- 3.20 There are a number of key points to note in respect of recharges:-

- There is a statutory requirement to show the full cost of services. Recharges are therefore required to comply with this.
- All budgets are set and monitored by the service who controls and is responsible for the cost.
- Savings are already being built into support service budgets such as the C&FM FSR and ICT contract savings.
- A basis is agreed as to how recharges will be made. These are designed to be representative and easy to administer.
- Changes in services may impact on the recharge made. However, it is necessary to be clear whether a change will actually result in a cost or saving to the Council rather than simply relying on the recharge itself.

- 3.21 Given the changes to the Council arising from the UCC FSR it is necessary to review the appropriateness of where recharges are made to and the way in which we report non direct costs.

- 3.22 With changes made to Senior Management Team and other senior managers the number of recharges made via Head of Service account may need to change. This will help to ensure that charges are made more directly to service areas and therefore increase the usefulness of the financial data.

- 3.23. To improve the understanding of costs it is suggested that when financial information is presented within reports to the Trading Board or in other relevant circumstances that non-direct costs are reported with further clarification to show whether they represent a charge for a service received, an allocation of cost or a technical accounting charge.

- 3.24. This approach will also provide the opportunity to better understand the full costs of services and help facilitate challenge of the level, quality and costs of service provided.

4. Strategic Plan references

- 4.1. Whilst there is no direct link to the Strategic Plan, understanding recharges is important in order to make informed decisions relating to budget changes.

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.

	2014/15 £	
Employees	2,450,700	Pay, NI, training etc
Premises	1,216,600	Business Rates, grounds mtce, energy
Transport	2,200	
Supplies & Services	533,000	Goods, external contact costs, general expenses
Third party payments	59,500	
Direct Expenditure Total	4,262,000	
Grants and reimbursements	(8,000)	External grants, contributions
Customer & client receipts	(4,522,400)	External earned income - fees and charges etc
Direct Income Total	(4,530,400)	
Direct Total	(268,400)	Net Income
Head of Service	480,700	A large number of recharges are made to a HoS account. The HoS in turn agrees and suitable % to charge the specific service area
<i>Other specific recharges</i>		Some recharges are made directly to the service / function rather than via the HoS.
Repairs and Maintenance	265,500	Cost of R&M (staff and costs)
Repairs and Maintenance - PPM	11,400	
Corporate Facilities	9,300	
CBC Off-Street Car Parks	21,900	
Income Team	20,000	
Technical Team	3,000	
Legal Services	1,400	
Messenger & Post Room	200	
Insurance	109,200	Premises, staff and general
Total non-technical recharges	922,600	
<i>Technical Accounting Charges</i>		
Amortisation	33,400	
Cap Chg-Gen Depreciation	357,100	
Total technical recharges	390,500	
Total Non-Direct Costs	1,313,100	
Total Budget	1,044,700	

Service Area	Where is this charged	What basis is this charged out on
Corporate and Financial Management (C&FM)		
Assistant Chief Executive	Corporate and Democratic Core (CDC) and C&FM GMT's	10% to CDC and chosen time % to each GMT
Policy & Project	CDC and HoS (excl C&FM) and EMT	50% to CDC and equal split to HOS/EMT (except OPER which splits with NEPP)
Strategic Change Team	HoS (excl C&FM) and EMT	Equal split
Democratic Services Management	Committee Services, Civic Fund and Members	50% Committee, 25% Civic and Members
Committee Services	EMT, CDC, Civic Fund, Members, Development Management and NEPP	Fixed amount to NEPP and time % to others
Civic Fund	CDC	Clears fully into CDC
Members Expenses	CDC	Clears fully into CDC
Legal Manager	CDC and Legal Services	% Split
Legal Services	Cost Centre Level	% based on historic time recording data
Strategic H R Manager	HR	100% into HR
Central Training	HR	100% into HR
Human Resources	HOS (excl C&FM), EMT, Members, HRA and NEPP	Number of employee's
Unison	HoS and EMT	Equal split
Members and Staff Car Parks	HoS, EMT and Members	Number of spaces occupied
Other Civic Offices	HoS, EMT, Members, Audit, CDC, CCTV, Community Alarms, NEPP and CBH	Number of workstations
Angel Court	Other Civic Officers	100%
Town Hall	Floor space occupied	CDC and Other Civic Officers
Rowan House	Other Civic Officers	100%
Repairs and Maintenance	Cost Centres	On Actual cost and time spent
Cleaning	Cost Centres where cleaned	based on hours spent cleaning per building
Messenger and Post	Cost Centre's	Actual spend %
Hallkeepers	Elections, Civic Fund, Civic Others and Town Hall	Fixed %
Corporate Facilities	Other Civic Offices and Town Hall and Travel Plan and proportion to cost centres for property management	Fixed recharge for travel plan assistant time and proportion of time for property management, remainder % split to buildings
Communications	HoS (excl C&FM), EMT and NEPP	Equal split after fixed fee to NEPP
MFD's	HoS and EMT	% Split
Corporate ICT	HoS (excl C&FM), EMT, NEPP and HRA	Equal split after fixed amount to NEPP and HRA
Computer Holding Account	HoS, EMT, Members, HRA, Museums and NEPP	Number of recorded VDI sessions
Telephones	HoS, EMT, NEPP and HRA	Based on number of employee's
Financial Management	CDC, Debt Management, Audit, Museums, NEPP,	Gross budgeted expenditure and some fixed charges

Service Area	Where is this charged	What basis is this charged out on
	EMT and HoS (excl C&FM)	
Insurance	Cost Centres	Liability premiums charged on percentage basis, property premiums on a valuation basis. Excesses recharged to departments incurring them.
Debt Management	CDC	Fully to CDC
Audit	HoS	Number of audit days allocated per year
Customer		
Head of Customer Services	CDC and Customer Services GMT's	10% to CDC and chosen time % to each GMT
Customer Operations Manager	CSC, Benefits & C.Tax Processing, Technical Team	% estimate of management time
Customer Service Centre	Across all services including directly to the HRA	Based on historical number of customer enquiries including Face to Face, Reception/Switchboard and Contact Centre.
Technical Services	C.Tax, NNDR & Benefits plus Housing, Payroll, CLW & Elections	Smaller amounts for SLA services and then % time/historical basis for main elements
Benefits & C.Tax Processing	C.Tax, NNDR & Benefits	% time/historical basis
Customer Solutions Manager	C.Tax, NNDR & Benefits plus Income, Welfare Benefits & Investigations	% estimate of management time
Customer Support & Income Mgmt	C.Tax, NNDR & Benefits and Income team.	% estimate of management time
Income Team	Across all council services who raise invoices/receive or recover a variety of income	Income team on a % / historical basis; Enforcement aspect bases on % basis of workload
Investigations	Benefits	100% all to Benefits
Community		
Head of Community Services	CDC, Community GMT	10% to CDC and time % to each GMT
Equality & Safeguarding	All HoS & EMT	Equal split
Community Zones	Zone Teams, Sweepers, Market, Tree Management and Area Zones	Equal split across all cost centres as new arrangement.
Area Zones	HRA	26% of total (N, W, S ,C zones) charged to HRA
Community Development	Community Initiatives, Warm Homes, Community Safety Activity Centres	% estimate of management time
Museums	Management accounts to main Museum services	Equal split
Commercial		
Head of Commercial Services	CDC, HRA and Commercial Services GMT's	10% to CDC and chosen time % to each GMT + HRA
Commercial Team	To Heads of CBC main services + ALMO contract + Building Control; Monitoring & Response and Bereavement	% estimate of management time
Monitoring Centre	Various council services who	Historical SLA basis

Service Area	Where is this charged	What basis is this charged out on
	have out of hours monitoring & response	
Place Strategy Manager	Major Planning Projects; Spatial & Transportation Policy; Housing Strategy	% estimate of management time
Housing Strategy	CDC & HRA	Fixed amount to CDC and 50% remaining costs to HRA
Economic Growth Manager	Estates team, Enterprise and Regeneration Teams	% estimate of management time
Estates Management	Various council services who own property, incl the large commercial portfolio + HRA re Housing Development work	% of management time / historical basis (incl number of properties)
Enterprise Management	Initiative Funding, Town Centre mgmt; Enterprise & Tourism	% estimate of management time
Operational		
Head of Operational Services	CDC and Operational Services / NEPP GMTs	10% to CDC and chosen time % to each GMT
Sport & Leisure	Charged within S&L	% estimate of management time
Recycling & Fleet Management	Recycling & Fleet service	80% of Operations Co-Ordinator post to fleet management, 20% of post to Shrub End Depot. Chosen % across domestic, trade, voids, Bring sites and food waste cost centres.
Fleet Management	Across services using vehicles, including NEPP. Also to Licensing in respect of taxi inspections	Budgeted cost of vehicles on contract hire, costs directly attributable to individual vehicles with the balance recharged on the basis of value of recharges.
CBC car parks	£21,900 to Colchester Leisure World car park. £30,600 to staff car parking	CLW charge is the cost of maintaining Alfia car park machines from the date they were installed, inflated by RPI each year. Staff car parking recharge is to reflect the opportunity cost of staff parking in St Mary's, St John's and Britannia car parks during the Christmas period (2 months), based on the cost of an annual season ticket.
Professional (incl PSU)		
Head of Professional Services	CDC, Professional GMT	10% to CDC, rest equally split between GMT
Environmental Health	Env Health Services areas	Equal split
Electoral Services	Elections, Electoral Registration	44% Elections 56% Electoral Registration
Planning & Licensing	Planning, Licensing, Food/Safety, Land Charges	% based on estimated management time.
PSU	EMT and all HoS	Currently split equally over all HoS (small % to EMT), until more detailed information is known after 1 st year of operation
Scanning	Participating Service Area's (HoS and other usage	Percentage charged to participating services based on estimated usage.

Service Area	Where is this charged	What basis is this charged out on
	area's)	
Central Stationery	HoS, EMT and NEPP	Number of FTE percentage, minus some area's
Systems	HRA and across service areas	Fixed amount to HRA then split across others
EMT		
EMT	CDC and HoS	80% to CDC then split over HoS
Colchester 2020 Travel Plan	HoS	Equal split over HoS

Key to abbreviations

CDC – Corporate & Democratic Core

HoS – Head of Service

HRA – Housing Revenue Account

GMT – General Management Team

EMT – Executive Management Team

NEPP – North Essex Parking Partnership

Report of	Head of Commercial Services	Author	Fiona Duhamel
Title	Proposal to establish a Revolving Investment Fund		
Wards affected	All		

This report concerns the proposal to establish a Revolving Investment Fund (RIF) to drive forward the development of high income producing assets in order to meet the Council's future financial targets

1. Decisions Required

1.1 To recommend to Cabinet that it considers:

- (a) establishing a Revolving Investment Fund (RIF) for the commercial management, disposal of and investment into key assets in order to drive forward income generation projects.
- (b) ringfencing capital receipts from a number of key identified assets and limited revenue funding, subject to agreement of final details including Terms of Reference for the Revolving Investment Fund.
- (c) creating a Cabinet committee to be known as the RIF Committee in accordance with the proposals contained at paragraph 10.5 of this report.

1.2 To note that subject to the above the final details relating to the creation and management of the Revolving Investment Fund including Terms of Reference will be the subject of a report to the next Cabinet meeting.

2. Reasons for Decisions

- 2.1 There is a need to carry out investment decisions in a more commercially focused way to secure high levels of future income for the Council.
- 2.2 A ringfenced account will provide a structured process to deliver high income producing developments and investments, which can minimise financing costs and has the ability to move swiftly to secure the best commercial outcomes.

3. Alternative Options

- 3.1 The Council could continue to allocate capital receipts for specific income producing opportunities on a case by case basis. However there are a number of benefits from taking a more streamlined strategic approach to investment decisions including, more flexibility to act quickly when opportunities arise, the ability to forward fund potential schemes using receipts already in the Fund and the ability to take a longer term approach to investment management of key assets.

- 3.2 The Council could seek to set up an independent asset vehicle specifically for the development of its key assets. A good deal of research has been carried out looking at various models relating to asset based vehicles and whilst there is a clear need for a special purpose vehicle ("SPV") in some circumstances eg for commercial trading activities and for housing focused development, at this stage it is not clear what benefits would be derived from setting up a stand alone company.

4. Supporting Information

- 4.1 The Council received independent legal advice from Pinsent Masons in April 2013 relating to asset development vehicles, which was considered at a Leadership Team meeting. At a subsequent Leadership Team meeting, following the presentation of an interim report on SPV options, it was noted that a final report would be produced by officers which focused solely on the initial structure and implications of an internal ringfenced account for development assets.
- 4.2 This action was taken based upon research findings within the interim report which found that:
- There are only a small number of circumstances which require a local authority to set up a formal SPV which relate to "commercial initiatives", particularly trading opportunities.
 - If the Council wishes to jointly develop parcels of land with a private sector partner then an SPV will be required.
 - Very little evidence exists of Local Authorities setting up formal SPV's for the commercial development of their assets and this is largely because it is difficult to determine substantial up front benefits from the setting up of any company versus known set up and ongoing management costs such as Corporation tax.
- 4.3 Other councils have however been exploring and introducing internal financial mechanisms which provide for a ring fence of capital receipts with the sole purpose of recycling such funds towards key infrastructure development which cannot be met by the private sector and/or in particular towards investment in income producing assets

Examples

Fife Council recognised that significant infrastructure investment was required to unlock its development/regeneration aspirations in the area. Faced with an economic climate which prevented such infrastructure being delivered by the private sector, the Council developed a revolving infrastructure fund which brought together a range of funding mechanisms, including capital receipts from Council assets and public borrowing and the resultant model was taken forward to the Scottish Government as an exemplar approach.

Chester and West Cheshire County Council also set up a ringfenced structure to deliver its ambitious town centre regeneration objectives. This internal vehicle was used to facilitate the forward funding and purchase of a number of town centre sites which were key to overall delivery of the Masterplan of the area.

4.4 The Proposed Ringfenced Account and Revolving Investment Model

- 4.4.1 With a year on year reduction in government grant to local authorities, it is increasingly important that Council owned assets are managed robustly and commercially to ensure they are creating maximum value.

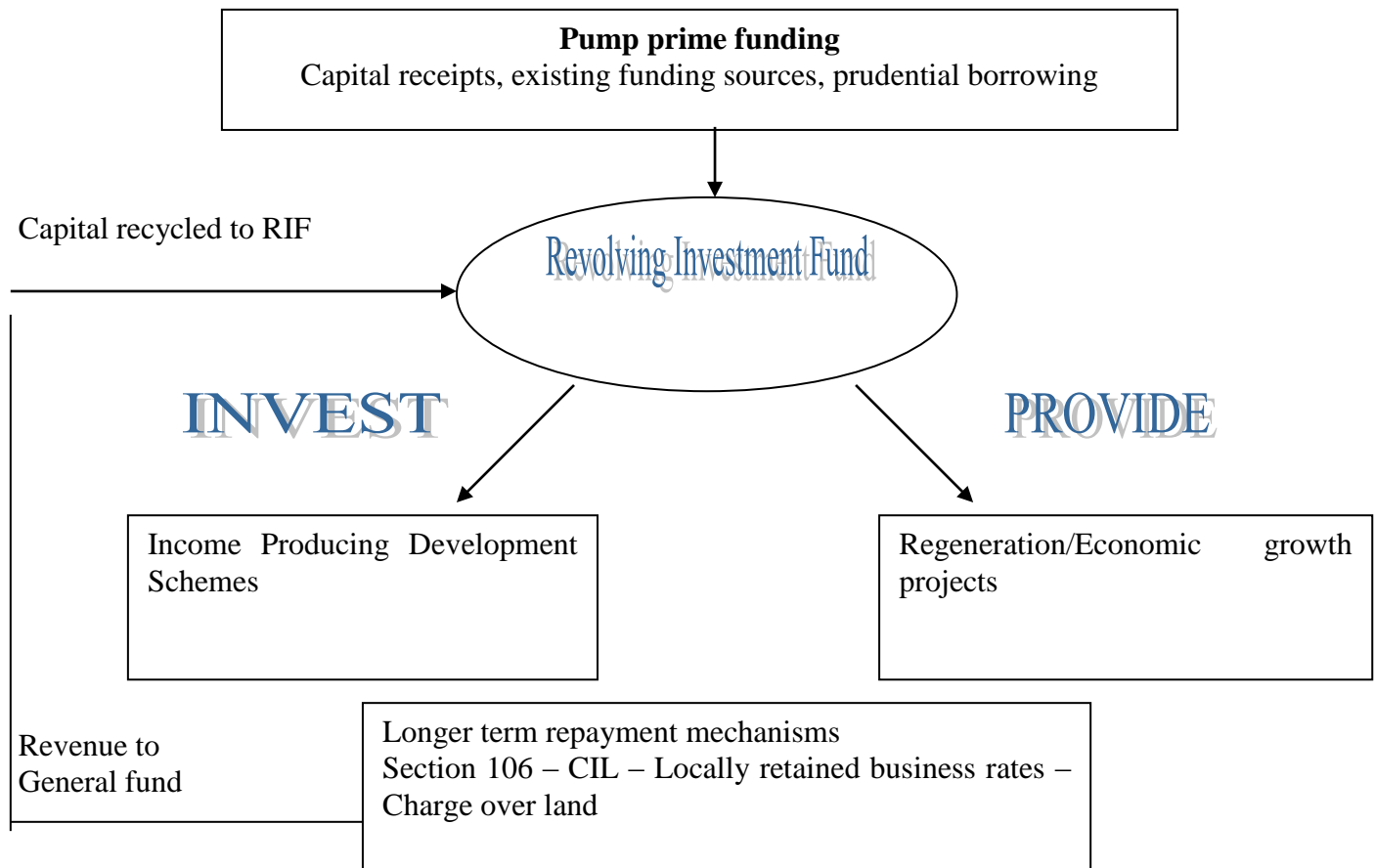
- 4.4.2 Councils will have different ways that assets are managed and in particular how capital receipts are allocated. With the increased drive to provide higher levels of revenue income it is vital that a more strategic approach is adopted and that each asset is examined carefully to ensure that its maximum potential is recognised. However, it must also be recognised that not all assets are suitable to lease out and it may be more appropriate to sell in order to gain a capital receipt.
- 4.4.3 The ringfenced account provides a mechanism that enables councils to take a proactive approach to investment in the delivery of infrastructure or high yielding development through the recycling of capital receipts gained from the sale of a pool of “surplus” assets and from other funding mechanisms. In this way funds are reused (or revolved) as a continuous investment so as to enable a real focus to be given to an objective to derive high levels of income from assets.
- 4.4.4 The actual financial model developed depends upon available resources and appetite for risk but importantly it can be adapted as needs change or alternative funding mechanisms are developed. For example an initial ringfenced account may just include income from capital receipts but as the model develops and confidence grows, other funding sources can be added such as New Homes Bonus, retained business rates and prudential borrowing.
- 4.4.5 The Revolving Investment Model is designed to be a long term solution (10-20) years for the delivery of major development schemes and does require capital to be set aside for re investment into future land for development. However, it also provides sufficient flexibility to create short term income opportunities eg PV panels investment.

5. Proposals

5.1 The Proposed Colchester Revolving Investment Fund Model

- 5.1.1 It is proposed that a Revolving Investment Fund Model for Colchester would focus initially on using a ring fenced account to deliver high value income streams through initial capital reinvestment.
- 5.1.2 As part of the research process an initial list of “developable” assets across the Borough is being drawn up. Such assets need to be considered carefully to understand whether they might provide options for creating high value income or whether market demand might dictate they are sold for a capital receipt on long leases (in only very exceptional cases it is proposed that assets are sold freehold as in the very long term the leasehold structure will provide for another injection of capital or revenue).
- 5.1.3 Once it has been established which assets can be used to provide a long term revenue stream but require capital for enabling development and which assets can be “sold” for a capital receipt, then further work can take place to establish a 5 year programme of investment.
- 5.1.4 This programme of investment will show capital receipts anticipated from “sales” over a 5 year period and reinvestment of this capital created would be subject to strict criteria demonstrated within a business case. This is a very simplistic version of the revolving investment fund but as stated previously there is the opportunity to add to the capital ringfenced through other funding mechanisms and there is also the opportunity to spend capital resources on non income producing schemes such as infrastructure and social and economic regeneration.

5,2 An outline of the potential mechanism is shown in Fig 1 below



6. Strategic Plan References

- 6.1 The proposal contributes to the Council's aim to be more financially sustainable and also delivers against the following areas in the Strategic Plan
- 6.2 The Regenerating our borough through buildings, employment, leisure and infrastructure
- 6.3 Bringing investment to the borough

7. Consultation

- 7.1 This is an internal ringfence which is still subject to formal consultation and scrutiny as with existing capital programme.

8. Publicity Considerations

- 8.1 None identified

9. Financial implications

9.1 Financial Implications of Revolving Investment Fund

There are number of important financial issues to consider as part of operating a ringfenced account including the wider implication on the capital programme.

(i) Impact on the Capital Programme

The current capital programme is funded in 4 main ways:-

- Borrowing
- Revenue contributions
- External contributions (grants, S106, EU money etc)
- Capital receipts (sale of assets)

9.2 The **whole programme** is therefore funded in part by the sale of assets. The creation of a ring fenced account will include some of the largest anticipated capital receipts and therefore potential funding for capital projects outside of the ring fence will be more limited although the overall pot of capital receipts is likely to considerably increase because of the predicted sales within North Colchester and a more pro-active approach to asset management. This however remains a key implication for the Council to consider.

9.3 Over recent years it is worth noting that a large proportion of capital receipts have been used to fund regeneration projects. In addition they are used for

- Some major repair projects
- ICT / FSR investment schemes (e.g. the UCC FSR capital investment)
- Some rolling programmes

9.4 If fewer capital receipts are available to support the non-ringfenced capital programme then this places a greater reliance on other funding opportunities such as:-

- One-off New Homes Bonus allocations
- Section 106 contributions
- The building maintenance provision
- Non ringfenced capital receipts (in particular other assets, including operational assets need to be managed more proactively)
- Borrowing

9.5 It is important to note that the ringfenced account remains part of the overall Council capital programme and treasury management activities. Ultimately the Council is not formally bound by the ring fence itself as it is an internal mechanism, but investment decisions taken will begin to restrict options while delivering the desired improved income flows.

(ii) Management of borrowing costs

The revolving investment fund does provide the Council with an opportunity to manage capital investment and the sale of certain capital assets in a strategic way. Decisions on spend and income can be considered as part of a clear programme. In this way it may be possible to consider short term borrowing needs and in doing so minimise the need to set aside money to repay debt (MRP). In simple terms it will possible to consider the use of temporary borrowing in a planned way based on anticipated investment and capital receipt plans.

(iii) Delivering commercial income targets

The UCC FSR includes stretching income targets for additional sustainable revenue streams from assets. Currently, these targets for the next 3 years are in the region of £200k - £400k. It is recognised that to deliver these requires investment and a structured approach to the management of assets which the revolving investment fund based on a ringfenced account provides.

(iv) Delivery of capital investment / receipts – pump priming

Delivering capital investment and generating capital receipts includes, or requires costs. These include:-

- pre development
- master planning
- marketing
- Communications / public engagement
- Technical studies etc

9.6 These costs, which may be treated as revenue or capital as appropriate, can as part of the ring fence be properly planned and budgeted alongside the forecast outcomes.

9.7 The issue of providing some revenue funding **into** the ring fence will be essential to provide some flexibility. The Council has already agreed revenue contributions towards areas likely to be dealt with in the ring fence. These now total £700k and the intention will be to consider transferring these funds into the RIF:-

	2013/14 £'000	2014/15 £'000	Total £'000
One off contribution to assist with one-off transitional costs associated with commercial land or property deals and towards possible opportunity purchases.	200		200
Contribution to “infrastructure” that we have made from our New Homes Bonus money.	250	250	500
<i>Total</i>	<i>450</i>	<i>250</i>	<i>700</i>

9.8 In addition, there are a number of existing capital projects where remaining balances (subject to any outstanding commitments) could be brought into the ringfenced account. These would include:-

- St Botolphs Regeneration
- North Colchester Development land
- Site disposal costs
- Park and Ride
- A12 junction etc

(v) A practical example - PV panels

The Cabinet agreed to proceed with the investment of £800k in Photo Voltaic panels on 10 Council owned non housing assets in January 2014 following a feasibility period. It was also agreed at Cabinet that the Council would prudentially borrow to cover the cost of this investment.

The projected income from this investment net of borrowing costs is £17k pa assuming a loan over a 20 year period. However a direct capital investment through the proposed revolving investment fund would avoid the borrowing costs such as MRP and interest costs and would produce an average annual income (a mix of savings, incentives and sales) of close to £150k pa with a starting income at Year 1 of £90k.

The return on capital invested is therefore significant at 18.75%.

10. Management and Governance

10.1 Under current financial regulations there are a number of key approval mechanisms:-

- The requirement for Full Council approval of new capital schemes
- Cabinet approval for the release of money to individual capital schemes / transfer of money between projects
- Approval for the sale of land (Portfolio Holder over £150k, Cabinet over £500k)
- All capital receipts are treated as a corporate resource unless specific approval is given by Cabinet.

10.2 The creation of a ringfenced account and a revolving investment fund can therefore be seen as an example of this last point.

10.3 In terms of governance there may be different approaches that could be considered or the Fund could be managed under existing arrangements with Cabinet / Portfolio Holder approval for individual project investment / sales etc

10.4 However in order for the RIF to be managed effectively on a more commercial basis it may be appropriate to consider alternative management arrangements which in turn could create the new governance structure which is outlined below:


10.5 The principle of a ringfenced account set up as a stand alone capital fund which sits alongside the existing capital programme has already been established. It is suggested that governance of the new RIF could be carried out by the creation of a committee of Cabinet to be known as the RIF Committee which would have powers delegated to it by Cabinet. The existing Northern Gateway Shadow Board already exists as an informal committee and could be formally established by Cabinet to become a decision making body. It is suggested that the RIF Committee could comprise the following: the Leader of the Council, and the Portfolio Holders who have responsibility for regeneration, resources and communities. As the RIF Committee would be a committee of Cabinet and will be exercising delegated executive functions, decisions made will be subject to scrutiny and call-in.

10.6 As part of the governance arrangements it is proposed that Cabinet consider giving the RIF Committee delegated powers to make disposal and investment decisions up to a value of £5m, provided that a full business case is submitted to the RIF Committee and certain investment criteria are met. It is suggested that terms of reference for the RIF Committee should be developed for approval at a future Cabinet meeting. It is also suggested that the RIF Committee should be accountable for the operation and management of the RIF and be responsible for developing and administering a number of key activities such as:

- Setting the investment strategy - Developing an approval process for new projects/assets into the fund
- A Project selection process
- Project Appraisal – including analysis of the business case against set criteria
- Developing and monitoring a capital receipts programme
- Establishing a pipeline of new capital funding opportunities and/or new funding sources
- Develop a strategy for any borrowing activities within the fund (subject to the Council's overall treasury management strategy)

10.7 It is suggested that investment decisions (spend of the capital within the RIF) will be based upon a set of agreed criteria. These criteria will include:

- Return on investment (or regeneration outputs for non income producing regeneration projects) – would income from the proposed project meet rates of return required to invest the capital requested?
 - Deliverability – including a review of the planning status, barriers to development, market conditions, ownership and legal limitations
 - Timescale for commencement of income
 - Risk versus reward – Does the projected income outweigh the deliverability risks from the investment of capital, what is the security of income?
- 10.8 Once established, it is suggested that the RIF Committee should report progress quarterly to Cabinet. Furthermore, the Trading Board should also review performance of the RIF against set targets and including financial and non financial outputs. As the RIF will form part of the capital programme any expenditure should be reported to the Scrutiny Panel on a quarterly basis.
- 11. Equality, Diversity and Human Rights, Community Safety and Health and Safety implications**
- 11.1 None identified at this stage.
- 12. Risk Management Implications**
- 12.1 There is limited risk associated with setting up the RIF as it is still a ringfenced account within the Council and therefore subject to all formal decision making processes. As risks identified through the spending of capital on new projects will be picked up through the criteria for a business case.

Report of	Assistant Chief Executive	Author	Richard Clifford
Title	Trading Board Work Programme 2014-15		 507832
Wards affected	Not Applicable		

This report concerns the work programme for the Trading Board 2014-15

1. Decision(s) Required

- 1.1 To note the Work Programme for the Trading Board.

2. Reasons for Decision(s)

- 2.1 The work programme is a standard item included on the agenda of all meetings of the Trading Board. It allows the Board to consider the scheduling of forthcoming items of business and to suggest additional items that fall within the Board's remit.

3. Alternative Options

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

4. Supporting Information

- 4.1 The current work programme is attached at Appendix 1. It contains a number of items requested by the Panel in 2013-14. Further items of business, particularly in relation to the progress of the commercial reviews of services will be scheduled in due course. It is open to the Board to suggest additional items that fall within the Board's remit that they wish the Board to consider.
- 4.2 At its meeting on 26 March, the Board requested that a site visit to the Cemetery and Crematorium be arranged for members of the Trading Board to help them gain a better understanding of the service. It is proposed that this be held on the afternoon of 6 August, before the meeting of that Board that evening. The Board also requested that arrangements be made to enable members to gain a better understanding of the Building Control Service and further information about how this will be addressed will follow in due course.

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 2014-15 Work Programme

Date of Meeting	Scheduled items of business
18 June 2014	Revolving Investment Fund Commercial Business Development report Update on CBH Trading Subsidiary (verbal) Update on Building Control proposals (verbal) Council Recharges Approval of Annual Report to Cabinet and Council
6 August 2014	Feasibility of Supermarket Levy Commercial Business Development report Commercial Procurement Report
24 September 2014	Commercial Business Development report Report on measures typical to commercial enterprise in the sport and leisure environment (see minute 9, 14 August)
Items to be scheduled	Strategic Asset Management Commercial Services Review: Trade Waste Stadium Management Company

