

## TRADING BOARD

### 18 JUNE 2014

*Present :-*

Councillor Julia Havis (Chairman)  
Councillors Kevin Bentley, Roger Buston, Mark Cory,  
Robert Davidson, Bill Frame, David Harris, Justin Knight  
*Substitute Members* Councillor Cyril Liddy for Councillor Julie Young

*Also Present: -*

Councillor Turrell and Councillor Smith

### 3. Minutes

The minutes of the meeting on 26 March 2014, including the not for publication extract published in part B of the agenda, were confirmed as a correct record.

### 4. Annual Report 2013-14

The Board considered a report setting out a draft Annual Report for the Trading Board for 2013/14. Ian Vipond, Strategic Director, Commercial and Place, explained that the Board had specifically agreed that it would produce an Annual Report, in a form similar to that of a Company report. The intention was that the report would provide an opportunity for the Board to report to both Cabinet and to the wider public on the work it had undertaken. Given that much of the work it had undertaken was commercially sensitive in nature and was reported on the Part B agenda, the Annual Report gave an opportunity to demonstrate publicly what the Board had achieved. The nature and format of the report was likely to change in future years once the Board was in a position to report on trading figures.

Members of the Board commented that the report provided a good introduction to the work of the Board. Whilst the Board were content with the content of the report, it was felt that the presentation and style of the report could be improved to make it more “punchy”. An Annual Report was a marketing opportunity as well as a reporting tool. It was suggested that the achievements of the Board should be given more prominence and reported earlier, that greater use should be made of pictures and a more relevant image should be used on the front cover. In future years, the draft report should be circulated to Board members, although it was accepted that timescales around the first meeting of the Board had made this difficult on this occasion. It was agreed that the amended report should be submitted to Group Spokespersons for approval in advance of submission to Cabinet.

**RESOLVED** that the Annual Report 2013/14 be amended in line with the comments of the Board and the revised report be submitted to the Group Spokespersons for final approval on behalf of the Trading Board.

For action by:	Target Date
Strategic Director, Commercial and Place	July 2014

*RECOMMENDED TO CABINET* that it receive and note the Trading Board's Annual Report 2013/14.

For action by:	Target Date
Democratic Services Officer	July 2014

## **5. Recharges**

The Board considered a report setting out the current arrangements and methodology for corporate recharges in the Council's accounts. Sean Plummer, Strategic Finance Manager, introduced the report and explained that the purpose of recharges was to enable the full costs of services to be shown. This aided comparisons of costs with other organisations and enabled decision making on financial issues, such as charges and subsidies, to be taken in the light of full information. It was stressed that work was being undertaken to ensure that recharges were as transparent as possible and were directed to the appropriate part of the Council to ensure that the costs of services were as accurate as possible. As the Council moved to a trading environment, recharges would need to be considered when business cases were drawn up, particularly where changes were proposed that could impact on support costs. In particular, where it was proposed that services be delivered through separate companies it would be necessary to agree appropriate charges for services.

The Board thanked Sean for his report and presentation, which it considered to be very useful and informative. In the course of discussion the following issues were raised:-

- The importance of a proper appreciation of recharges in assessing the potential viability of a service or trading company.
- The need for recharges to be levied on an accurate basis. For instance, the allocation of recharges for central stationary costs on the basis of full time equivalents seemed unfair on those services where many staff were not office based, such as Leisure World or Zone Wardens. In response Sean stressed the need for recharges to strike a balance between being reasonable and also being straightforward to administer. If the recharging process were overly complex this would increase administration costs.
- How managers were able to control costs for support services and whether managers would be given the freedom to procure services and goods externally where this provided better value than through a corporate recharge? If managers were then allowed to retain some of the savings in their own budgets this would provide an incentive to find savings. It was explained that services had traditionally had their own budgets for many services, but pooling these into central budgets ensured that procurement processes were more efficient.
- Where savings were made in services, the impact this had on recharges. Sean confirmed that where costs reduced, recharges would be reduced accordingly.
- Considerable savings in support service costs had been delivered or identified recently through the programme of Fundamental Service Reviews, in particular through the Corporate and Financial Management FSR.

In respect of the relevance of the recharges to the work of the Trading Board, Gareth Mitchell, Head of Commercial Services, stressed the paramount importance of understanding costs when considering trading opportunities. The Board would need to look at some of the more marginal costs of services when it was looking to exploit business opportunities and needed to be prepared to challenge robustly costs charged to those services where business opportunities were being developed.

*RESOLVED* that:-

- (a) The Board's thanks to Sean Plummer for his helpful presentation and report be recorded.
- (b) The arrangements and methodology for recharges within the Council's accounts be noted.

**Councillor Bentley (in respect of his membership of Essex County Council) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(5).**

## **6. Proposal to Establish a Revolving Investment Fund**

The Board considered a report setting out a proposal to establish a Revolving Investment Fund. Fiona Duhamel, Economic Growth Manager, and Sean Plummer, Strategic Finance Manager, attended and presented the proposals in detail to the Board. The Revolving Investment Fund (RIF) would be a ring-fenced account which would provide a structured process to deliver high income producing developments and investments, which would help the Council meet challenging future financial targets.

The Board were supportive of the proposals but sought some clarification over some of the governance issues involved. It was confirmed that the Monitoring Officer had been consulted on the proposals. The RIF would be managed through a RIF Committee, which would have specific powers delegated to it by Cabinet. It would be a formal Committee, made up a number of Cabinet members. It would be subject to the usual statutory requirements on notice of meetings and publication of decisions. Its decisions would be subject to call in. In terms of financial governance, it was stressed that capital and revenue streams would be kept separate.

The Board noted that it was proposed that the Trading Board should review the performance of the RIF Committee. However, it considered that it would be beneficial for both the RIF Committee and the Trading Board if the Chairman of the Trading Board were to be a member of the RIF Committee on an ex-officio basis.

The Board noted that the Terms of Reference were not included within the report and that the timescales were such that it would not be possible to refer these back to the Trading Board before the proposals were due to be considered by the Cabinet. The Board requested that the Terms of Reference be circulated to Group Spokespersons for approval before submission to Cabinet.

Members of the Board also sought clarification on what provision would be made for expert commercial advice for members of the RIF Committee and suggested some funding should

be specifically set aside for this. Councillor Turrell, Portfolio Holder for Economic Development and Regeneration, explained that members would take advice as necessary, as they did within their Portfolios. If external expert advice was needed, this would be commissioned but it was not necessary to put in place a formal mechanism or funding arrangement for this. Ian Vipond, Strategic Director, Commercial and Place, stressed that this was the approach that had been taken with the management of Northern Gateway and had worked well.

Members of the Board also suggested that the sources of pump prime funding for the RIF should also include other projects (for example Business Incubation Units), section 106 funding and New Homes Bonus Funding. It was confirmed that prudential borrowing could also be used, but would be subject to the overall borrowing limits set in the budget. However, section 106 funding was unlikely to be suitable as it tended to be allocated for specific uses or sites.

*RESOLVED* that:-

(a) The proposed Terms of Reference for the Revolving Investment Fund Committee be submitted to the Trading Board Group Spokespersons for agreement on behalf of the Board.

For action by:	Target Date
Strategic Director, Commercial and Place	July 2014

(b) It be noted that subject to the final details relating to the creation and management of the Revolving Investment Fund including the Terms of Reference will be the subject of a report to the next Cabinet meeting.

*RECOMMENDED* 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 the Head of Commercial Services report, subject to the addition of the Chairman of the Trading Board as a member of the Committee on an ex-officio basis.

For action by:	Target Date
Democratic Services Officer	July 2014

## 7. Work Programme 2014-15

The Board considered a report concerning the Work Programme for the Trading Board 2014-15. It was noted that additional items of business, particularly in relation to the commercial reviews of services would be scheduled in due course. The Board noted that reviews of the RIF Committee would also need to be included in the work programme.

*RESOLVED* that the Work Programme for the Trading Board be noted, subject to the scheduling of a review of the RIF Committee in due course.

For action by:	Target Date
Democratic Services Officer	July 2014