

APPENDIX 1

November 2015

BUSINESS PLAN

Commercial Services

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DIRECTOR (COMMERCIAL & CORPORATE SERVICES)

MISSION STATEMENT

The Local Authority Trading Company (LATC) Commercial Services Division will deliver the Markets Service, perform the Sanctuary Grounds Maintenance Contract and if successful in its bid for new work provide grounds maintenance services to a number of schools both internal and external to the East Cambridgeshire boundary.

The Commercial Services Division will:

- Provide a high quality service to all its customers,
- Work with our customers to create services that are needed and fit-for-purpose,
- Develop innovative models that champion quality, and
- Inspire staff to do the best work of their lives.

We believe that by developing the services that we offer we will be able to create services that are more profitable, sustainable, flexible and focused on meeting the needs of local people and businesses in East Cambridgeshire.

We believe that establishing our brand in East Cambridgeshire will enable us to offer our high quality services beyond the boundaries of East Cambridgeshire.

VISION

We believe in improving the quality of life of the taxpayer of East Cambridgeshire and we believe in the Council's objectives that are set out in the Corporate Plan 2015-2019. Our Commercial Services Division will support the Council in achieving these objectives.

VALUES

Strategic Objectives

- To maximise on every commercial opportunity available, and
- To trade in a manner that, wherever possible, acts in the best interest of the Council.

Our services will be:

- Flexible- innovative and tailor made options to meet the needs of the individual customer,
- Local- Wherever possible (and relevant) the Commercial Services Division of the LATC will utilise local suppliers, and
- Trusted- reliable services delivered by skilled staff.

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1 EXECUTIVE SUMMARY

1.1 What is the Council Trying to Achieve?

In July 2015 the Council adopted the Corporate Plan 2015-2019 (Appendix 1). The Corporate Plan contains six aims and objectives.

Delivering a financially sound and well managed Council	A customer driven efficient Council with a 'can do' attitude and pro-business approach and commercially focused to ensure financial self-sufficiency for the taxpayer
Genuinely affordable housing	Genuinely affordable housing by local people for local people
A fantastic place to live	Making East Cambridgeshire an even better place to live
Improving local transport	Making it easier to get around the District and do business
Improving infrastructure	Appropriate developments with better infrastructure and improving Planning Service
New jobs and funding	Driving economic success by creating the infrastructure to attract businesses and create jobs

The Council's Medium Term Financial Strategy (MTFS) 2015/16-2019/20 has an overall objective of achieving self-sufficiency from Revenue Support Grant by 2020.

The LATC is a key part of achieving the aims of both the MTFS and the Corporate Plan. The LATC will provide the Council with the ability to do things it cannot currently do, namely:

- Act as the developer and build out good, high quality homes,
- Accelerate the delivery of Community Land Trusts (CLTs),
- Procure goods and services locally,
- Create a commercial culture,
- Win contracts outside of the District, and
- Generate profits to meet the aims of the Council.

The LATC will focus on four key areas of work, namely:

- Maximising asset return,
- Increasing the delivery of CLTs,
- Delivering the Council's commercial services, and
- Providing consultancy services to both the public and private sector.

This business case sets out the financial and non-financial case for transferring the Council's Markets Service and Sanctuary Grounds Maintenance Contract, including how both contribute to maintaining the LATCs Teckal exemption; enabling the Council to win contracts outside of its boundary, provides cashflow for the company, increases profitability of the Service and the promotion of a new commercial culture.

1.2 Markets Service

The in-house Markets Service currently sits in the Tourism & Town Centre Service and is managed by the Director (Commercial & Corporate Services). The Markets Service consists of three members of Council staff; the Markets Development Officer, Markets Supervisor and Admin/Support Officer. The Markets Service also utilises casual workers and consultants.

The main objectives of the Service are:

- Run a profitable Market; Thursday, Saturday, Farmers and Additional,
- Provide a focal point for the Community,
- Increase the vibrancy of the City Centre,
- Promote employment,
- Provide a choice for the Community, and
- Be a stepping stone for small businesses.

1.3 Sanctuary Grounds Maintenance Contract

The Sanctuary Grounds Maintenance Contract is currently managed and operated by the Parks & Open Spaces Service within the Council. The Sanctuary Grounds Maintenance Contract Service Team consists of 8 Gardeners/Grasscutters (fixed term seasonal contract), Contract Management Support from the Open Spaces & Facilities Manager, Contract Administrative Support from the Open Spaces Admin Officer and Staff Management Support from the Parks & Open Spaces Team Leader. The Sanctuary Grounds Maintenance Contract Service also utilises casual workers.

The main objectives of the Service are:

- Income generation,
- Maintain a quality environment, and
- Enhance the reputation of the Council.

1.4 Summary of Costs and Income

Table 1.1 shows a summary of cost and income over a three year period commencing in 2013/14 for the Markets Service.

Year	Cost	Income
2013/14	£123,535	£171,952
2014/15	£137,484	£174,088
2015/16	£162,980	£191,196

(Table 1.1)

Table 1.2 shows a summary of cost and income over a three year period commencing in 2013/14 for the Sanctuary Grounds Maintenance Contract (includes VAT)

Year	Cost	Income
2013/14	£253,559	£254,020
2014/15	£225,118	£228,373
2015/16	£230,663	£234,356

(Table 1.2)

1.5 The Case for Change

1.5.1 The Non-Financial Case

There are three elements to the non-financial case for transferring the Markets Service and the Sanctuary Grounds Maintenance Contract, namely:

- **Assists in contributing compliant turnover to make it easier for the LATC to maintain the Teckal status thus increasing the LATCs potential to secure contracts outside of the East Cambridgeshire boundary.**

New School Grounds Maintenance Contract

Due to the commercial sensitivity it is not possible to provide any detail other than financial.

The Council has been made aware that 46 schools will be in need of grounds maintenance services in 2016/17. 13 of the schools are within the East Cambridgeshire Boundary and 33 are outside of the East Cambridgeshire Boundary.

The Commercial Services Division of the LATC will need to submit a bid to each school individually and can tailor the price to the requirements of the school. For the purpose of this business case the sites are collectively referred to as the New School Grounds Maintenance Contract. There is no guarantee the Commercial Services Division of the LATC would be successful in securing the contract and no assumptions are made based on this income.

This example seeks to demonstrate the importance of providing compliant turnover to allow the LATC to win contracts like this as they arise.

Worked example

New School Grounds Maintenance Contract

Table 1.3 shows a summary of turnover for inside and outside of the District with the turnover from the New Schools Grounds Maintenance Contract.

Location	Turnover
Inside boundary	£97,420
Outside boundary	£265,700
	£363,120

(Table 1.3)

The example above shows that 26.8% of the turnover is within the Council's boundary and 73.2% is outside of the Council's boundary. Based on these assumptions the Council would not remain eligible for the Teckal exemption.

New School Grounds Maintenance Contract and Sanctuary Grounds Maintenance Contract turnover

Table 1.4 shows a summary of turnover for inside and outside of the District with the turnover from the New School Grounds Maintenance Contract and the Sanctuary Grounds Maintenance Contract.

Location	Turnover
Inside boundary	£331,776
Outside boundary	£265,700
	£597,476

(Table 1.4)

The example above shows that 55.5% of the turnover is within the Council's boundary and 44.5% is outside of the Council's boundary. Based on these assumptions the Council would not remain eligible for the Teckal exemption.

New Schools Grounds Maintenance Contract and Markets Service

Table 1.5 shows a summary of turnover for inside and outside of the District with the turnover from the New School Grounds Maintenance Contract and the Markets Service.

Location	Turnover
Inside boundary	£288,420
Outside boundary	£265,700
	£554,120

(Table 1.5)

The example above shows that 52.1% of the turnover is within the Council's boundary and 47.9% is outside of the Council's boundary. Based on these assumptions the Council would not remain eligible for the Teckal exemption.

New Schools Grounds Maintenance Contract, Sanctuary Grounds Maintenance Contract and Markets Service

Table 1.6 shows a summary of turnover for inside and outside of the District with the turnover from the New School Grounds Maintenance Contract, Sanctuary Grounds Maintenance Contract and the Markets Service.

Location	Turnover
Inside boundary	£522,356
Outside boundary	£265,700
	£788,476

(Table 1.5)

The example above shows that 66.3% of the turnover is within the Council's boundary and 33.7% is outside of the Council's boundary. Based on these assumptions the Council would not remain eligible for the Teckal exemption.

As you can see from the above the Teckal balance has not been achieved. This indicates the importance of providing local turnover wherever possible. There is an opportunity for the LATC to bid for more local work, for example target all schools and Parish/Town Council's in the East Cambridgeshire boundary to bring this back in to balance.

- **Act as an exemplar and case study to promote a commercial 'can do' approach to Council staff and their service.**

The Markets Service is a small service that generates good profit levels.

The Markets Service will act as an exemplar case study for other commercial services that may be transferred to the LATC in the future. The case study will demonstrate the following:

- How the service can increase profitability by reducing costs and increasing turnover,
- The transitional arrangements that will be put in place to ease the transfer to the LATC, and
- How the service will operate within a new commercial culture

In particular, by acting as an exemplar the Markets Team will be able to allay fears and dispel any myths that may concern other services that could transfer to the LATC in the future. The Markets Team have agreed to share their experiences with other Council staff including the adjustments they have needed to make in order to prepare to transfer to the LATC.

- **Improves the service.**

The Markets Service will be improved as a result of the transfer to the LATC. The Service will operate in a truly commercial manner, free from the restrictions of the Council's procurement and contract procedures and will be able to secure service support at more favourable rates. This will enable the Service to achieve its main objective; to increase profitability.

1.5.2 The Financial Case

Markets Service

There is a solid financial case for transferring the Markets Service to the Commercial Services Division of the LATC and this is based on the Markets Service being financially viable as a stand-alone entity. It has a proven track record of profitability which will only increase on transfer to the Commercial Services Division of the LATC.

The main objective of the Markets Service is to increase profitability by increasing turnover and reducing costs.

In years 1, 2 and 3 there is a potential to increase turnover by £4,800 per annum. This can be achieved by increasing the footprint of the market.

In year 1 the Markets Service will achieve cost reduction in one key area; service recharges. In 2014/15 the Markets Service incurred £40,611 in service recharges and in 2015/16 is budgeted to incur £38,305 in service recharges.

Once transferred to the Commercial Services Division of the LATC the Markets Service will have the freedom to determine how best to procure support service charges. The Council will be able to 'bid' for the contract to provide support services and has already compiled and submitted a cost proposal which has been accepted subject to formal Service Level Agreements.

Table 1.6 shows the difference from 2015/16 Council costs and 2016/17 proposed Council costs.

	2015/16 Budget	2016/17 Proposal
Support Service Charges	£38,205	£15,222

(Table 1.6)

Please note that reducing support service charges to the Markets Service within the Commercial Services Division of the LATC is important as this will mean that more of the turnover will be available for the operating costs of the company.

Table 1.7 provides a summary of projected income and costs for the three year period commencing 2016/17.

Year	Cost	Income
2016/17	£129,807	£195,996
2017/18	£131,307	£197,996
2018/19	£133,249	£199,996

(Table 1.7)

By increasing the profitability of the Service more cash will be available to provide the LATC with the cash flow necessary to fund the operating costs of the business and provide an opportunity for earlier repayment of the loan.

Table 1.8 provides a summary of projected profit for the three year period commencing 2016/17.

Year	Profit
2016/17	£66,189
2017/18	£66,689
2018/19	£66,747
Total	£199,625

(Table 1.8)

There is also a case for cost avoidance for the Council. The Markets Service will not be transferring with a line manager; the Service does not require direct line management in the traditional sense. In order to mitigate this and to ensure the Markets team are appraised of income and to ensure budgetary control the Director (Commercial & Corporate Services) will provide this support to the service. There will be a charge of £75 per hour for this service. It is anticipated that in the first year of trading the Director (Commercial & Corporate Services) will spend approximately two days per month assisting the Markets Service with the transition and providing ongoing support. The costs will be charged to the LATC. The approximate cost of this support is £12,600.

As identified in the non-financial case, the Markets Service will assist in maintaining the 80/20 balance of the Teckal exemption.

Sanctuary Grounds Maintenance Contract

The financial case for transferring the Sanctuary Grounds Maintenance contract is a simple case that provides a benefit to the company and no detriment for the Council. The contract will increase the LATC's ability to bid for contracts outside of the East Cambridgeshire Boundary as the Sanctuary Grounds Maintenance contract will assist the LATC in maintaining its Teckal exemption.

As the Sanctuary Grounds Maintenance Contract is between the Council and Sanctuary, it will not be possible for the company to be the 'owners' of the contract. Instead the Council will need to sub-contract the work to the Commercial Services Division of the LATC.

There will be no financial detriment to the Council; the Commercial Services Division of the LATC will pay the Council the cost of the contract (i.e. the costs the Council would have incurred had the Council performed the contract) less the support service recharges, contribution from revenue to capital reserve and depreciation.

Although not explored at this time, there may be an opportunity for the Commercial Services Division of the LATC to extend an offer to Sanctuary to take on more of their grounds maintenance obligations in the region. This will of course be dependent on when other Sanctuary contracts are due for renewal.

Potential New Work

New Schools Grounds Maintenance Contract

Table 1.9 summarises the income and costs of the schools ground maintenance contract commencing 2016/17.

Year	Cost	Income
2016/17	£330,110	£363,121
2017/18	£346,615	£381,276
2018/19	£363,945	£400,339

(Table 1.9)

Year 1 shows a profit of £33,011, Year 2 shows a profit of £34,661 and Year 3 shows a profit of £36,394. The total profit for 3 years is £104,066.

The contract would be managed by the Parks & Open Spaces Manager. There is a case for cost avoidance for the Council. The Parks & Open Spaces Manager will be seconded to the LATC to manage the contract. It is not intended that the Parks & Open Spaces Manager is fully seconded to the LATC, it is anticipated that 10% of the Parks & Open Spaces Managers time will be seconded to the LATC. This represents a cost avoidance of approximately £4,900 per annum.

The Grounds Maintenance Team will be managed by the Team Leader Parks & Open Spaces. There is a case for cost avoidance for the Council. The Team Leader Parks & Open Spaces will be seconded to the LATC to manage the team. It is not intended that the Team Leader Parks & Open Spaces is fully seconded to the LATC, it is anticipated that 20% of the Team Leader Parks & Open Spaces time will be seconded to the LATC. This represents a cost avoidance of approximately £6,000 per annum.

Administrative Support will be provided by the Parks & Open Spaces Administrative Support Officer. There is a case for cost avoidance for the Council. The Parks & Open Spaces Administrative Support Officer will be seconded to the LATC to carry out administrative tasks for the team. It is not intended that the Parks & Open Spaces Administrative Support Officer is fully seconded to the LATC, it is anticipated that 10% of the Parks & Open Spaces Administrative Support Officer time will be seconded to the LATC. This represents a cost avoidance of approximately £1500 per annum.

1.6 Measuring the Financial and Non-Financial Benefit

Key benefit targeted	Measurement
Maintaining or improving the quality of the services delivered	Customer satisfaction surveys and achievement of individual outcomes as stated in Operational Transfer Agreement
Increased profitability	Monthly turnover monitoring, monthly costs monitoring and annual profit and loss statement
Maintaining Teckal Exemption	Monthly turnover monitoring
Cost avoidance	Monthly timesheets

1.7 Conclusion

In order to maximise the potential income generation for the LATC, in line with the Council's MTFS and the Council's Corporate Plan, it is recommended that the Markets Service begins transition planning immediately, with a view to being transferred to the Commercial Services Division of the LATC from 1 April 2016.

In order to maximise the potential income generation for the LATC, in line with the Council's MTFS and the Council's Corporate Plan, it is recommended that the Sanctuary Grounds Maintenance Contract is sub-contracted to the Commercial Services Division of the LATC from 1 April 2016.

2 INTRODUCTION

2.1 Background and Purpose

On 3 March 2015, Commercial Services Committee approved, in principle, the development of a business case for the establishment of a Local Authority Trading Company (LATC).

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

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

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

The purpose of this document is to set out the business case for transferring the Markets Service to the LATC, based on the financial and non-financial benefits to be gained.

2.2 Strategic Fit

The Council's Medium Term Financial Strategy (MTFS) 2015/16-2019/20 has an overall objective of achieving self-sufficiency from Revenue Support Grant by 2020.

In July 2015 the Council adopted the Corporate Plan 2015-2019 (Appendix 1). The Corporate Plan contains six key aims and each aim has objectives, priorities and promises.

(1)	Delivering a financially sound and well managed Council	A customer driven efficient Council with a 'can do' attitude and pro-business approach and commercially focused to ensure financial self-sufficiency for the taxpayer
(2)	Genuinely affordable housing	Genuinely affordable housing by local people for local people
(3)	A fantastic place to live	Making East Cambridgeshire an even better place to live
(4)	Improving local transport	Making it easier to get around the District and do business
(5)	Improving infrastructure	Appropriate developments with better infrastructure and improving Planning Service
(6)	New jobs and funding	Driving economic success by creating the infrastructure to attract businesses and create jobs

The LATC is a key part of achieving the aims of both the MTFS and the Corporate Plan. The LATC will provide the Council with the ability to do things it cannot currently do, specifically:

- Act as the developer and build out good, high quality homes,
- Accelerate the delivery of Community Land Trusts (CLTs),
- Procure goods and services locally,
- Create a commercial culture,
- Win contracts outside of the District, and
- Generate profits to meet the aims of the Council.

The LATC will focus on four key areas of work, specifically:-

- Maximising asset return,
- Increasing the delivery of CLTs,
- Delivering the Council's commercial services, and
- Providing consultancy services to both the public and private sector.

3 OVERVIEW

3.1 Services

The Commercial Services Division of the LATC will be initially contracted by the Council and will be expected to provide services according to the Operational Transfer Agreement agreed between the Council and the LATC, with associated requirements regarding reporting, performance and quality assurance.

The Commercial Services Division of the LATC will continue to offer the following services on its first day of trading:

3.1.1 Markets Service

- To operate a General Market on a Thursday and Saturday (save for when a Farmers Market is held)
- To operate a Craft & Collectables Market every Saturday
- To operate a Farmers Market on the second and fourth Saturday of every month
- To operate a Sunday Market, including, where there is continued demand, a car boot sale
- To operate at least one special market per year (for example, Continental Market)
- To operate at least one Christmas market per year

3.1.2 Sanctuary Grounds Maintenance Contract

- To be sub-contracted by the Council to the Commercial Services Division of the LATC to carry out the works required by the Sanctuary Grounds Maintenance Contract.

3.2 Operating Model

The overall approach being taken to the creation of the LATC is to:

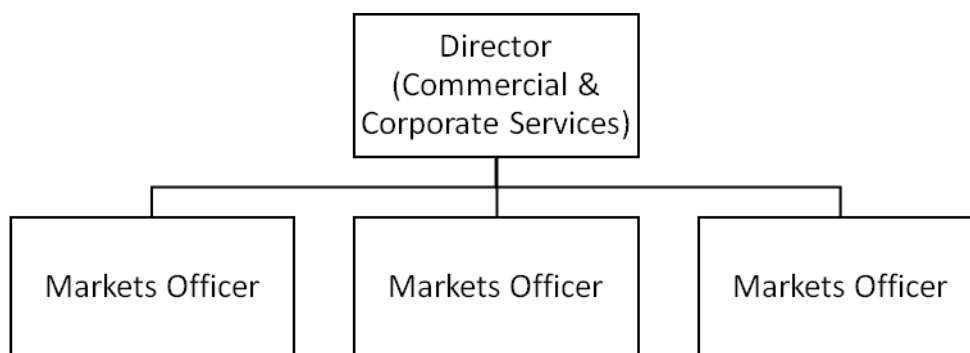
- Transfer permanent Council staff into the LATC on a three year secondment to protect staff pensions and employment terms and conditions; and
- Minimise the impact on services and staff remaining in ECDC.

3.3 Staffing

3.3.1 Markets Service

Three posts within the Council's Markets Service will be seconded to the Commercial Services Division of the LATC on a three year secondment. The Director (Commercial & Corporate Services) will oversee the management of staff once transferred.

The Director (Commercial & Corporate Services) will invoice the LATC for actual time spent managing the Markets Service.



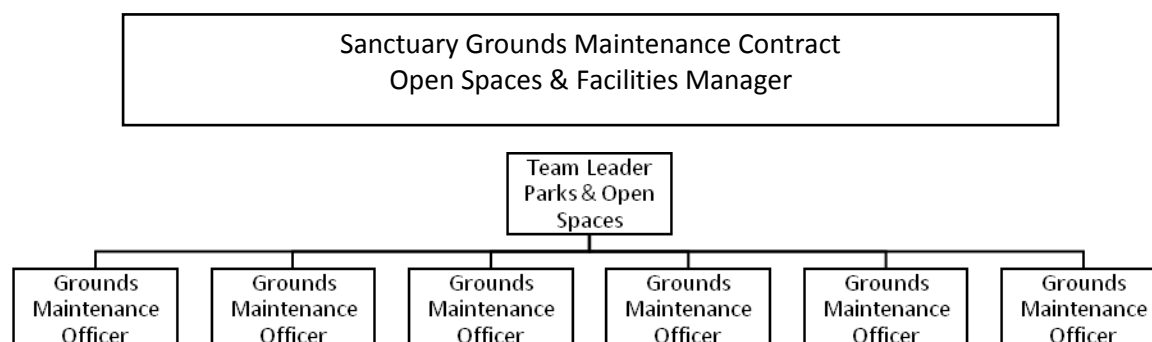
3.3.2 Sanctuary Grounds Maintenance Contract

The grounds maintenance staff required to support the performance of the Sanctuary Grounds Maintenance Contract will be employed directly by the LATC. The Team Leader for Parks & Open Spaces will oversee the management of these staff.

The Team Leader for Parks & Open Spaces will be seconded (20% of the time) to the Commercial Services Division of the LATC to manage the staff performing the Sanctuary Grounds Maintenance Contract.

The Open Spaces & Facilities Manager will manage and ensure performance of the Sanctuary Grounds Maintenance Contract.

The Open Spaces & Facilities Manager will invoice the LATC for actual time spent managing and monitoring the Sanctuary Grounds Maintenance Contract.



In the future, subject to further investigation, there may be a need to create a new post within the LATC to manage the Commercial Services Division. The Board of Directors will be responsible for this appointment, subject to a business case.

No other posts will be moved across to the Commercial Services Division of the LATC. Support functions such as Customer Services, IT, Finance, Payroll and HR will be provided initially through a Service Level Agreement (SLA) with ECDC.

3.4 Supplies, Systems and Infrastructure

ECDC will continue to provide support services to the Commercial Services Division of the LATC through a SLA.

The Commercial Services Division of the LATC will establish contractual SLAs with each support service from its first day of trading. This will include measurable performance indicators, break clauses and remedies for non-performance.

Once the Commercial Services Division of the LATC is operational there will be an annual review process whereby SLAs are refined to more accurately reflect the support the Commercial Services Division of the LATC needs.

Support Services include:

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

3.5 Property and Assets

The Head Office of the LATC will be The Grange, Ely.

Markets Service

The Markets Service currently occupies The Grange, Ely and will continue to do so. A reasonable annual rent will be charged to the Commercial Services Division of the LATC.

Sanctuary Grounds Maintenance

Office based staff currently use The Grange, the Depot at Barton Road and the Depot at Portley Hill, Littleport and will continue to do so. A reasonable annual rent will be charged to the Commercial Services Division of the LATC.

We will review our use of office and depot accommodation on an ongoing basis to ensure the premises are fit for purpose and cost effective.

Priorities for review:

- Office accommodation requirements- more mobile working, utilising capacity in operational buildings
- Where there is existing capacity in operational buildings, rent or hire space to partner organisations

Property and IT assets will be leased from ECDC as part of the SLA when it starts trading.

Small assets, such as vehicles and equipment will be purchased/leased from ECDC as part of the SLA when it starts trading.

3.6 Intellectual Property

Intellectual property, such as the Market Traders Register will be purchased from ECDC by the Commercial Services Division of the LATC at a nominal value when it starts trading.

3.7 Policies and Procedures

In line with the overall approach, the LATC will continue to use all relevant ECDC policies and procedures in the first instance, but will review and refine these over time to ensure they are fit-for-purpose.

3.8 Information Sharing

An Information Sharing protocol will be developed during implementation.

3.9 Data Protection

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

3.10 Freedom of Information

As a company wholly owned by ECDC, the Commercial Services Division of the LATC will be subject to requests for the disclosure of information under the Freedom of Information Act 2000 (FOI) in its own right. As such, the Commercial Services Division of the LATC will maintain a record management system that complies with the relevant guidance concerning the maintenance and management of records.

The Commercial Services Division of the LATC will liaise with ECDC as appropriate to ensure consistency in answering FOI requests and provide such information to ECDC as it may require to answer requests it has received.

3.11 Business Development and Marketing Strategy

In line with our Vision and Values, our approach to business development will be:

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

4 COMMERCIAL SERVICE DIVISION OF THE LATC AND EXISTING SERVICE DELIVERY ARRANGEMENTS

4.1 Markets Service

The Council currently operates four markets; Thursday Market, Saturday Market, Farmers Market and Sunday Market (referred to as additional market).

4.1.1 Staffing

Currently, the in-house Markets Service provision is managed by the Director (Commercial & Corporate Services) and sits within the Town Centres & Tourism Service. Previously, the Markets Service was managed by the Town Centre & Tourism Manager, however, in order to analyse the service and prepare the business plan, management arrangements were changed.

The Markets Service consists of three part-time members of Council staff; the Markets Development Officer (0.6FTE), the Markets Supervisor (0.7FTE) and the Admin/Support Officer (0.6FTE).

As the service sits within the Town Centre & Tourism, the Markets Development Officer and the Admin/Support Officer undertake duties which are not directly related to the Markets Service.

Markets Development Officer

- 90% of duties are attributable to developing and administering Ely Markets.
- 5% of duties are attributable to Town Centres as follows:
 - Producing bulletins
 - Processing and handling of enquiries
 - Town Centre liaison
 - Events liaison- where it affects the markets
- 5% of duties are attributable to Car Parks as follows:
 - Website updates
 - Processing and handling of FOI requests
 - Processing season tickets
 - Processing business permits
 - Processing and handling enquiries
 - Processing and handling complaints
 - Processing invoices for Littleport Station Car Park contract

Markets Supervisor

- 100% of duties are attributable to the markets

Admin/Support Officer

- 90% of duties are attributable to the markets
- 5% of duties are attributable to Town Centres as follows:
 - Processing and handling enquiries

- 5% of duties are attributable to Car Parks as follows:
 - Processing season tickets
 - Processing business permits
 - Processing and handling complaints

Once seconded the non-market related work will not be carried out by the Markets Team; this work will be absorbed by the Town Centres and Tourism Team. This has been agreed by the Tourism and Town Centres Manager.

Over the last three months work has been undertaken to prepare the Markets Team for secondment to the Commercial Services Division of the LATC. Work with the team has identified that there are minimal changes needed within the current team structure to facilitate the secondment.

The team has identified and it is agreed that each member of the team will second across with the same generic job profile (Appendix 2). This approach will build resilience within the team and assist in reducing the need and cost of using casual staff.

The Service utilises casual workers and consultants to assist with the operating of the markets as follows:

- Saturday Craft and Farmers Market- 6 Casual Staff (stall assembly)
- Saturday Craft and General Market- 4 Casual Staff (stall assembly)
- Casual Contract for the Deputy Market Supervisor
- Car Park Rangers cover sickness and leave (if required)
- Consultant- Farmers Market Inspection, sourcing of producers (if required)
- Veolia staff- part of their contract is to clean the Market Place after each market
- Depot and maintenance staff- as and when required

4.1.2 The Non-Financial Case

4.1.2.1 The Teckal Exemption

The “Teckal Exemption” is an exemption that was established in case law and is now embedded in EU Procurement Regulations.

Why is the Teckal Exemption relevant?

EU Procurement Regulations normally require the Council to carry out a competitive tendering process, including advertising in the European Journal before it can award a contract to any company.

The Status Quo

If the Council chooses to award contracts for services, such as the contracts referred to in this Business Plan”, the Council would need to put the contracts out to tender and there would be no guarantee the company would be successful in being awarded the contract.

Likewise if another organisation, bound by public procurement rules (e.g. Cambridgeshire County Council), wanted to put a contract out they would need to go through the tendering process.

How does the Teckal Exemption change this?

Where the company is wholly owned by the Council there is an exemption to this requirement. This is known as the Teckal Exemption. In order to qualify for the Teckal Exemption the Council must meet two tests; the control test and the function test.

The Control Test

The Council must control the company and its activities in the same way it would as if the service were their own department and activity.

For ECDC this will be controlled through both the Shareholder Agreement and the Operational Transfer Agreement.

The Function Test

The company must predominantly undertake work for the Council and any activity undertaken by the company for external bodies must be minimal. The Regulations place a limit on the company whereby only 20% of the turnover of the company can be from external contracts.

If the company was a Teckal company, organisations like Cambridgeshire County Council would be able to award contracts to the LATC without the need to go out to tender because the Teckal Exemption would apply.

Being a Teckal company and maintaining Teckal would increase the chances of the LATC winning contracts from organisations that are bound by public procurement rules as they would be free to award contracts to the LATC without the need to go out to tender.

In order to win a contract from an external organisation with a value of £100,000, and maintain the Teckal Exemption, the LATC must have compliant turnover of £400,000 from delivering Council Services. The Council, through the LATC, has the opportunity to win profitable contracts both inside and outside the East Cambridgeshire Boundary.

Transferring the Markets Service to the LATC will assist in maintaining the Teckal Exemption.

4.1.2.2 The Exemplar Service

The Markets Service is a small service that generates good profit levels.

The Markets Service will act as an exemplar case study for other commercial services that may be seconded/transferred to the LATC Commercial Services Division in the future (subject to approval of a business case by Full Council). The case study will demonstrate the following:

- How the service can increase profitability by reducing costs and increasing turnover,
- The transitional arrangements that will be put in place to ease the transfer/secondment to the LATC, and
- How the service will operate within a new commercial culture.

In particular, by acting as an exemplar service, the Markets team will be able to allay fears and dispel any myths that may concern other services that could transfer/second to the Commercial Services Division of the LATC in the future. The Markets team have agreed to

share their experiences with other ECDC staff including the adjustment they have needed to make in order to prepare for the secondment.

4.1.2.3 Improved Service

The Markets Service will be improved as a result of the transfer to the Commercial Services Division of the LATC. The Service will operate in a truly commercial manner, free from the restrictions of the Council's procurement and contract procedures and will be able to secure service support at more favourable rates. This will enable the Service to achieve its main objective; to increase profitability.

4.1.3 Financial case

The Director (Commercial & Corporate Services) has worked with the Markets team to develop success criteria to illustrate the case for transferring the Service to the Commercial Services Division of the LATC. This is shown in the table below and includes:

- Whether the targeted benefit is of financial or non-financial relevance (or both)
- Which of the LATC principles it contributes to
- A description of what it means in principle

Description of benefits sought from transferring the Markets Service

Success criteria	Benefit type	Link to principles	Description
Ensuring financial viability	Financial	<ul style="list-style-type: none"> • To maximise on every commercial opportunity available 	<ul style="list-style-type: none"> • Increase profitability by increasing turnover and reducing costs
Maintaining or improving quality	Non-financial	<ul style="list-style-type: none"> • To trade in a manner that, wherever possible, acts in the best interest of the Council 	<ul style="list-style-type: none"> • Maintain or improve the quality of provision
Innovation and growth	Financial	<ul style="list-style-type: none"> • To maximise on every commercial opportunity available 	<ul style="list-style-type: none"> • In the future, additional new business and subsequent income generation

The following sections set out how these benefits can be realised by transferring the Markets Service to the Commercial Services Division of the LATC. Suggested measures with timeframes are included to provide a starting point for the Commercial Services Division of the LATC's business planning.

4.1.3.1 Ensuring Financial Viability of the Markets Service

The approach taken to calculate costs and financial benefits with the transfer of the in-house Markets Service to the Commercial Services Division of the LATC, is demonstrated diagrammatically at Appendix 3. Essentially there are three main components to the financial model.

1. Establishing the true service cost,
2. Assessing current and future financial viability of the Markets Service over a three year period, and
3. Articulating the financial case showing expenditure, income generation and the overall balance.

4.1.3.2 Expenditure

The 2015/16 budget has been used as a baseline to calculate the cost of the service. Revised budget data has been used to ensure incorporation of changes within the service during the year.

4.1.3.3 Reduced overheads

One of the advantages to delivering services independently from the Council is the potential to enhance viability and achieve savings from support service costs. In 2015/16 the recharges to the Markets Service are £38,205, 23.44% of the total service costs.

The Director (Commercial & Corporate Services) and the Markets Service team have worked with each of the Council's support service teams to negotiate support service that meet the actual needs of the Service once it is transferred. Costs were renegotiated as part of these discussions.

The table below sets out the cost proposals compiled by the support services of the Council.

Service	2015/16 Budget	2016/17 Proposal
Finance	10,186.00	1,000.00*
Personnel	3,120.00	£15-£60 per hour**
Payroll	1,222.00	£780.00
Legal	39.00	£45-£60 per hour**
IT	7,191.00	£5,600.00
Customer Services	9,419.00	£1,865.00
Reprographics	1,416.00	£1,200.00
Office Accommodation	1,839.00	1,500.00
DMS	306.00	0.00
General Gang	1,027.00	1,027.00
Parks & Gardens Team	190.00	0.00
Depot	2,250.00	2,250.00
Total	38,205.00	15,222.00

*This represents a proportion of the costs- Finance quote is provided for the LATC as a company.

**This expertise would be a 'pay as you go'.

The Markets Service will explore the potential of using the Council's Communications Team to promote the Markets Service.

Service	2015/16 Expenditure (Budget)	2016/17 Expenditure (Planned)
Markets Service	162,980	129,807

The revised 2016/17 expenditure has been used as a baseline against which to model the current and future financial viability of the Markets Service.

4.1.3.4 Income

In 2014/15 and 2015/16 the Markets Service generated the following income across the different markets:

Month	2014/15 (£)	2015/16 (£)
April	21,617.21	17,048.00
May	11,730.68	15,830.00
June	12,092.04	13,657.00
July	20,214.38	18,988.00
August	12,973.46	14,473.00
September	12,532.69	13,733.00
October	19,273.86	
November	13,558.96	
December	12,368.63	
January	17,411.14	
February	10,986.05	
March	9,329.44	
Total	174,088.53	93,769.00

The income for 2015/16 is on track for the levels assumed in the 2015/16 budget. Originally the projected income for 2015/16 was £199,196. This has been adjusted (reported to Commercial Services Committee in July 2015) and reduced by £8,000 to £191,196. The reason for this being the Sunday Market assumptions; 2015/16 is the first year Sunday Markets has been held on a weekly basis, therefore, only assumptions could have been made during the budget setting cycle as to the likely income levels.

The projected income for 2016/17 and beyond is based on past performance and increasing the footprint of the market. An assumption of £4,800 per annum is included as additional turnover; there is scope for more turnover but this is considered to be a more realistic figure to work to.

4.1.3.5 Cost Avoidance

To minimise the loss of profit to the Council there is a case for cost avoidance.

The Markets Service will not be transferring with a line manager; the Service does not require direct line management in the traditional sense. In order to mitigate this and to ensure the Markets team are appraised of income and to ensure budgetary control the Director (Commercial & Corporate Services) will provide this support to the Markets Service once transferred. There will be a charge of £75 per hour for this service. It is anticipated that in the first year of trading the Director (Commercial & Corporate Services) will spend approximately two days per month assisting the Markets Service with the transition and providing ongoing support. The costs will be charged to the LATC. The approximate costs of this support is £12,600.

There may be other cost avoidance opportunities for the Council, however, at this time these are unknown and will only materialise once the needs of the Markets Service are established.

4.1.3.6 The Financial Case for the LATC

The financial model includes a financial summary for the Markets Service, outlining the revised service costs and taking account all of the assumptions used earlier in the model.

Financial changes and benefits are illustrated over a three year period to show the viability of the Markets Service over time.

Markets Service	Year 1	Year 2	Year 3
Income	195,996	197,996	199,996
Expenditure	129,807	131,307	133,249
Profit	66,189	66,689	66,747

In Year 1 the Markets Service will generate a profit of £66,189 with a small increase in Year 2 and Year 3.

4.1.3.7 Profit and Loss Statement for 2015/16 (Profiled)

Markets Service

Trading and profit and loss account for year ending 31 March 2016

	2015/16		2014/15
	£	£	£
Income			
Sales		191,196	174,088
Cost of sales			
Direct costs	<u>983</u>		<u>1,067</u>
	983		1,067
		<u>983</u>	<u>1,067</u>
		190,213	173,021
Expenses			
Staffing	97,100		66,107
Rates	16,433		16,111
Insurances	515		499
Repairs and maintenance	1,024		763
Print and stationery	406		263
Marketing	3,189		3,355
Phone	37		88
Motor vehicle expenses	559		485
Subscriptions	782		1,341
Licences	300		295
Materials purchases	3,017		3,051
Other	0		3,019
Service recharges	38,205		40,611
Depreciation	430		429
		<u>(161,997)</u>	<u>(136,417)</u>
Profit before appropriation		28,216	36,604

The profit and loss statement shows that the Market Service is a profitable service. The 2014/15 is the actual profit and loss account for that year. The 2015/16 is the projected profit and loss account for that year.

4.1.3.8 Profit and Loss Statement for 2016/17 (Profiled)

Markets Service

Trading and profit and loss account for year ending 31 March 2017

	2016/17		2015/16
	£	£	£
Income			
Sales		195,996	191,196
Cost of sales			
Direct costs	<u>1,032</u>		<u>983</u>
	1,032		983
		<u>1,032</u>	<u>983</u>
		194,964	190,213
Expenses			
Staffing	83,549		97,100
Rates	16,600		16,433
Insurances	540		515
Repairs and maintenance	1,000		1,024
Print and stationery	450		406
Marketing	6,000		3,189
Phone	110		37
Motor vehicle expenses	586		559
Subscriptions	821		782
Licences	300		300
Materials purchases	3,167		3,017
Service recharges	15,222		38,205
Depreciation	430		430
		<u>(128,775)</u>	<u>(161,997)</u>
Profit before appropriation		66,189	28,216

4.1.3.9 Profit and Loss Statement for 2017/18 (Profiled)

Markets Service

Trading and profit and loss account for year ending 31 March 2018

	2017/18		2016/17
	£	£	£
Income			
Sales		197,996	195,996
Cost of sales			
Direct costs	<u>1,083</u>	<u>1,032</u>	
	1,083	1,032	
		<u>1,083</u>	<u>1,032</u>
		196,913	194,964
Expenses			
Staffing	84,384	83,549	
Rates	16,800	16,600	
Insurances	567	540	
Repairs and maintenance	1,000	1,000	
Print and stationery	450	450	
Marketing	6,000	6,000	
Phone	115	110	
Motor vehicle expenses	590	586	
Subscriptions	862	821	
Licences	300	300	
Materials purchases	3,200	3,167	
Service recharges	15,526	15,222	
Depreciation	430	430	
		<u>(130,224)</u>	<u>(128,775)</u>
Profit before appropriation		66,689	66,189

4.1.3.10 Profit and Loss Statement for 2018/19 (Profiled)

Markets Service

Trading and profit and loss account for year ending 31 March 2019

	2018/19		2017/18
	£	£	£
Income			
Sales		199,996	197,996
Cost of sales			
Direct costs	<u>1,137</u>	<u>1,083</u>	
	1,137	1,083	
		<u>1,137</u>	<u>1,083</u>
		198,859	196,913
Expenses			
Staffing	85,227		84,384
Rates	17,000		16,800
Insurances	595		567
Repairs and maintenance	1,000		1,000
Print and stationery	450		450
Marketing	6,000		6,000
Phone	120		115
Motor vehicle expenses	590		590
Subscriptions	900		862
Licences	300		300
Materials purchases	3,200		3,200
Service recharges	16,300		15,526
Depreciation	430		430
		<u>(132,112)</u>	<u>(130,224)</u>
Profit before appropriation		66,747	66,689

4.1.3.11 Plan for Ensuring Financial Viability

Benefit	Method assumption	Suggested measure	Timeframe
Service is financially viable within the Commercial Services Division of the LATC	Operating commercially, market analysis	Operating at a profit	Year 1-£66,189 Year 2-£66,689 Year 3,£66,747
Savings generated through reduced support service costs	Freedom to purchase better value support services	Percentage of total expenditure on support services	Year 1-£22,983

4.1.4 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Profit making enterprise • Reputation- established 'Ely Markets' Brand • Established team with skills and expertise • Diverse offer of goods across all markets • Overcome dips in the past; new themes, new traders (e.g. Street Food Aisle) • Trader loyalty • Traders have built successful business and have moved into permanent premises in Ely • Supportive environment; traders help each other • Wide customer base • 200 small business already on the list • Good trading post • Established community hub • Unique craft market, FARMA accreditation of Farmers Market • Accepted by local businesses as it increases City Centre footfall 	<ul style="list-style-type: none"> • Poor support systems; excel spreadsheets and paper files • Market Place restrictions • Weather • Economy; less investment and fewer customers • Not enough marketing • Events take away business from traders • Lack of investment in resources; website, systems and marketing
Opportunities	Threats
<ul style="list-style-type: none"> • Increase capacity- more pitches/stalls with better facilities • Increase frequency • Expansion • increase provision of stalls • Own 'Ely Markets' identity and increase partnership working with City Centre Forum • Increase celebration of achievement to build business reputation • Small business support for new traders • Increase marketing to make more people aware of Ely Markets • Make more use of national campaigns/organisations • Work in partnership with event organisers to ensure mutual benefit • New website 	<ul style="list-style-type: none"> • Traders leaving • Competition from other markets • Competition from events • Exclusion and/or isolation from partnerships

4.1.5 Maintaining or Improving Quality of Service

The in-house Markets Service is a good, quality and highly regarded service and often other Councils have questioned how the Council can deliver a quality market and make a profit. This quality derives from the ambition and dedication of the Markets Team who are genuinely motivated to delivering a quality market in Ely to provide a focal point for the community.

The Markets Team will continue to deliver the quality service and will have the freedom, to an agreed extent, to operate commercially and act in the best interest of the LATC which ultimately, in accordance with its strategic objectives, is to act, wherever possible, in the best interest of the Council.

4.1.5.1 Plan for Maintaining or Improving Quality

Benefit	Method assumption	Suggested measure	Timeframe
Maintained or improved quality of service provision	Working in a truly commercial manner in the best interest of the LATC and the community	Customer satisfaction	Baseline to be established prior to transfer, subsequent annual measure

4.1.6 Innovation and Growth

4.1.6.1 Working Beyond the East Cambridgeshire Boundary

The Markets Service has a proven track record for delivering a quality service that generates a profit. Being part of the Commercial Services Division of the LATC will allow the Markets Service to operate in a truly commercial manner which would enhance the opportunity to make a bid to other Council's to operate their markets.

No assumptions have been made at this point as to potential income levels and profit this could generate for the Commercial Services Division of the LATC.

In Year 1 the Markets Service will establish its brand and reputation within the Commercial Services Division of the LATC. In parallel soft market testing will be carried out to test the viability of this endeavour and a recommendation will be made as part of the Year 2 business plan.

Please note that the Markets Service will not bid for a contract where there is a potential to undermine the profitability of the Ely Market and as such would not offer to operate a market for a neighbouring authority if this is in direct competition with Ely Markets.

4.1.6.2 Other Potential Sources of Income

Income from stalls and pop up stalls

The Markets Service will work with a range of potential customers (Town/Parish Councils, community groups and other local authorities) to rent out the stalls and pop up stalls. It is often identified as one of the 'headaches' that customers face when running a market or an event. The Markets Service will compile a fees and charges package once soft market testing has been carried out to ascertain the true appetite in the market for this service.

4.1.7 Marketing

In order to generate more interest in the market, the Markets Service has identified that the service will need to increase its marketing budget once transferred to the company. In 2015/16 the budget for marketing is £3,189.

Profiled spend for marketing budget 2015/16:

- Markets calendar: 14,000 produced
- Press adverts:
 - Trade press- new traders for Sunday Market (2 ads)
 - Local magazine (Newmarket/Ely Living) 3-4 ads per year to advertise:
 - Sunday Market/Continental Market
 - Farmers' Market birthday
 - August Bank Holiday Market
 - Christmas Market
 - Local press to advertise:
 - May Bank Holiday/Continental Market
 - Sunday Market
 - Farmers' Market Birthday
 - Sunday Market/Car Boot
 - August Bank Holiday/Continental Market
 - Christmas Market/Town Centre shopping
- Free advertising and promotion:
 - Press releases to local media
 - Features, articles and promotions in local parish/community magazines
 - Posters and leaflets distributed to:
 - Town centre shops
 - Community hubs (e.g. sports centres, doctors, etc)
 - Tourist information points and TIC
- Farmers Market 15th Birthday- special promotion
- Radio- one off advertising for car boot promotion
- Entertainers- minimal spend, brass band to play at Christmas Market

The Director (Commercial & Corporate Services) has worked with the Markets Service to review the marketing budget in 2016/17 to assist in generating more income. An increased marketing budget would facilitate the following:

- Markets calendar: 14,000
- Posters/leaflets
- Promotional giveaways:
 - Regular cloth bag promotion to give away across all markets
 - Invest in more substantial jute bags to sell and for traders to purchase and sell
- Love Your Local Market Items:
 - Badges
 - Bunting
 - Banners
- NMFT Make Markets Matter special promotion
- Media Advertising:
 - Local press
 - Local lifestyle & info magazines
 - Newmarket/Ely Living, Eastlife, Velvet, Ely i
- Radio advertising

- Transport Ads
 - City Bus digital media
 - Railway station
- Market Trade Press- use free features wherever possible, facilitates direct marketing to traders
- Free websites:
 - Local secrets
 - Cambridgeshire Net

4.1.8 Website

A website is one of the most powerful tools available to any business for marketing. The main reason that it is important to have a website is how people are likely to find you. People will go online before venturing out or planning their business needs and future. Not having a fit-for-purpose website could mean loss of business.

A website is also important because it helps to establish the credibility of a business. Most people will assume there is a website since the vast majority of businesses do.

Whilst the Markets Service does have a presence on the web it does not have a stand-alone, fit-for-purpose website. Currently the Markets Service has a presence on the Council's main website and the Visit Ely website.

4.1.8.1 Council's Website

The presence on the Council's website is very limited (one page on Markets):

Home » Markets & Shopping » Market Stalls & Pitches Permissions » Market Stalls and Pitches Permissions

Market Stalls and Pitches Permissions

In the East Cambridgeshire district, general markets and farmers' markets are held only on the Market Place in Ely.

If you wish to become a potential market trader on Ely Market, you must apply to East Cambridgeshire District Council for permission to become an approved market trader in the East Cambridgeshire district.

Market traders must to agree and abide by the current terms and conditions of letting of market pitches and stalls and can only sell the range of goods approved in their application. A fee will be charged to operate a market stall or pitch in accordance with the scale of charges approved by the Council and traders must hold third party liability insurance.

Potential traders for farmers' markets must also meet the additional conditions to comply with the Ely Market registration criteria for certified Farmers' Markets.

To receive an application pack, which includes the Ely Market regulations, conditions and fees, please choose from the following options:

- [New traders register interest in attending Ely Markets](#)

For more information on all Ely Markets including special events and attractions visit <http://visitely.eastcambs.gov.uk/markets/about-elys-markets>

If you have any feedback about the Markets that you would like to tell us, please complete our [Market Feedback Form](#).

Trade Associations

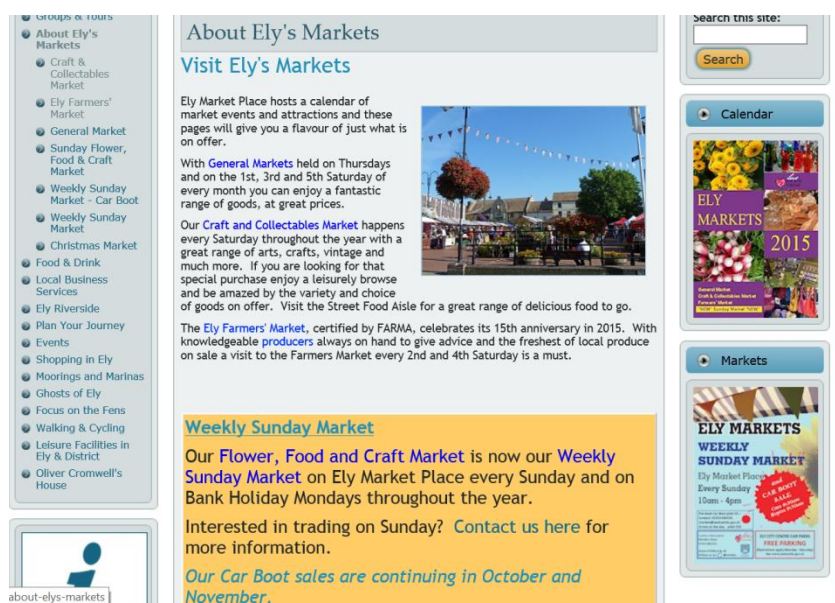
- [National Market Traders' Federation](#)
- [National Farmers' Retail & Markets Association \(FARMA\)](#)

MISCELLANEOUS

- [Car Boot Sale Authorisation](#)
- [Cooling Tower Notification](#)
- [Environmental Permits](#)
- [HMO Licence](#)
- [HMO Licensing Information](#)
- [Hypnotism Licence](#)
- [Lottery Registration](#)
- [Market Trader Application](#)
- [Marriage or Civil Ceremony Premises](#)
- [Caravan Site Licence](#)
- [Mobile Home/Park Home Licence](#)
 - [Fire Risk Assessments](#)
 - [Park Rules](#)
- [Safety Certificate for Sports Stands](#)
- [Sex Establishment Licence](#)
- [Sexual Entertainment Venue Licence](#)
- [Sports Ground Safety Certificate](#)
- [Sunday Trading](#)

This webpage provides very limited information and does not demonstrate a commercial and open for business culture.

4.1.8.2 Visit Ely Website



Marketing on the Visit Ely website simply provides a narrative about the different markets that are held in Ely. As with the Council's website it does not demonstrate a commercial and open for business culture.

4.1.8.3 A New 'Ely Markets' Website

In order to establish business credibility, enable the Markets Service to be truly commercial and carry out effective marketing it is essential that an 'Ely Markets' website is developed.

The 'Ely Markets' website will:

- Provide a distinct identity and show Ely Markets as a true commercial business
- Provide immediate and relevant information; for traders, customers and visitors
- Provide up-to-date information on:
 - New traders
 - Events
 - Productions
 - Special themes
 - Promotions
- Provide a direct link to and from other sources of social media:
 - Facebook
 - Twitter
- Provide a pay online service
- Advertise the different services available

There will also be an opportunity for traders and other business in Ely to have a page on the website (subject to an annual fee) to promote their products and links to their own websites.

4.1.8.4 Financial Implications

The cost of developing a new website varies depending on the specification developed for a new website. The Council has recently commissioned a website for the Economic Development team and has sought quotes for a website for the Tourism Team. The prices

have ranged from £5,000 to £20,000. A new 'Ely Markets' website could be commissioned for £5,000 to £10,000.

The benefit of the new website outweighs the cost.

4.1.9 Systems and Software

4.1.9.1 Existing System

The Markets Service currently use a series of Excel spreadsheets, Microsoft word and paper files. This is time consuming and takes the team away from focusing their efforts on improving the service.

4.1.9.2 Benefits of a New System

Many organisations use bespoke software to manage all aspects of a market business, including logging data information on traders; open individual accounts, finance records, document filing, updating, reports, data profiles and budget management.

Having all of this information in one place that is easily accessible will enable the team to concentrate their efforts on growing the business instead of wasting time populating spreadsheets in several different formats that do not allow for easy report manipulation or budget monitoring.

4.1.9.3 Financial Implications

The Markets Services have been inviting businesses to quote for new software. The prices range from £5,000 to £10,000.

The benefit of the software outweighs the cost.

4.1.10 Transition and Business Continuity

The Markets Service is likely to change after the first year of trading, i.e. by realising some of the additional income sources identified in this business plan. The freedom to trade presents opportunities to gain business from other local authorities and organisations. The distinct advantage of transferring the Markets Service to the Commercial Services Division of the LATC is the opportunity to further develop the opportunities available and be in a position to act on any of the commercial opportunities that are available.

4.1.11 Staff Engagement and Cultural Change

The Council intend to transfer the Markets Service team to the Commercial Services Division of the LATC on a three year secondment.

Staff buy-in will be key to the success of the service once it is transferred. The Director (Commercial & Corporate Services) has worked with the Markets Team who are willing and committed to the transfer.

Over the last few months the Markets Service team have demonstrated that they have the skills and expertise needed to not only maintain the quality of the service but also to grow the service.

4.1.12 Governance and Relationship Management

Arms-length from ECDC does not mean ‘hands off’. There will need to be a strong relationship between the Commercial Services Division of the LATC and ECDC.

It is critical that ownership, roles and responsibilities are defined and understood to avoid conflict of interests or growing pains.

Governance arrangements will be highly influenced by the contractual arrangements set out in the Shareholder Agreement and Operational Transfer Agreement between the LATC and ECDC. Contractual arrangements will need to cover issues such risk transfer, payment mechanisms, dividend returns and the service specifications.

The governance structure will also have an impact on the type and amount of influence ECDC will have with the Markets Service once transferred to the Commercial Services Division of the LATC. Certain key decisions will be retained by ECDC, such as any changes to the business plan.

There will be a need to be clear that the Markets Service will no longer be a council department but an independent business, however, the Markets Service will be accountable to ECDC as the shareholder.

4.1.13 Risks

This section seeks to capture the key risks associated with the proposed transfer of the Markets Service to the Commercial Services Division of the LATC. It should be noted that this does not represent a definitive list.

Description	Proposed Management
Internal Change and upheaval can, if not managed properly, impact on the quality of service delivery during a period of transition and post-change establishment.	If the decision is taken to proceed with the LATC and subsequently the transfer of the Markets Services to the Commercial Services Division of the LATC, it will be important to supply sufficient resource and support to allow the Markets Service to establish itself as a new stand-alone entity. This support is reflected throughout this business case (change costs).
External Traders may become concerned that the service will no longer be in the control of the Council and quality of service will decrease and prices will increase as a result of this.	ECDC will engage with the traders and explain that the service will remain the same or improve. The Council will continue to set the charge through the fees and charges (annually).

4.2 Sanctuary Grounds Maintenance Contract

ECDC has a Grounds Maintenance Agreement with Sanctuary Maintenance Contractors Limited. This agreement requires ECDC to provide grounds maintenance services as set out in the contract.

4.2.1 Staffing

Currently, the in-house Sanctuary Grounds Maintenance Contract is managed by the Open Spaces & Facilities Manager, assisted by the Team Leader Parks & Open Spaces (staff management) and administrative support is provided by the Administrative Assistant (Parks & Open Spaces), and sits within the Parks & Open Spaces Service. ECDC has a dedicated grounds maintenance team that works solely on the Sanctuary Contract.

The Sanctuary Contract team consists of five full-time Grounds Maintenance Assistants. Each Grounds Maintenance Assistant is employed by the Council on a fixed-term contract. Each contract is due to expire in March 2016.

If it is agreed the Sanctuary Grounds Maintenance Contract is transferred to the Commercial Services Division of the LATC the Council will not renew the Grounds Maintenance Assistants Contracts.

The staff required to support the performance of the Sanctuary Grounds Maintenance Contract will be employed directly by the LATC. The Team Leader for Parks & Open Spaces will oversee the management of these staff.

The Team Leader for Parks & Open Spaces will be seconded (20% of the time) to the Commercial Services Division of the LATC to manage the staff performing the Sanctuary Grounds Maintenance Contract.

The Open Spaces & Facilities Manager will manage and ensure performance of the Sanctuary Grounds Maintenance Contract.

The Open Spaces & Facilities Manager will invoice the LATC for actual time spent managing and monitoring the Sanctuary Grounds Maintenance Contract.

The Sanctuary Contract team utilise casual workers and agency staff to perform the requirements of the contract during peak times or to cover sickness/absence.

4.2.2 The Non-Financial Case

4.2.2.1 The Teckal Exemption

The "Teckal Exemption" is an exemption that was established in case law and is now embedded in EU Procurement Regulations.

Why is the Teckal Exemption relevant?

EU Procurement Regulations normally require the Council to carry out a competitive tendering process, including advertising in the European Journal before it can award a contract to any company.

The Status Quo

If the Council chooses to award contracts for services, such as the contracts referred to in this Business Plan”, the Council would need to put the contracts out to tender and there would be no guarantee the company would be successful in being awarded the contract.

Likewise if another organisation, bound by public procurement rules (e.g. Cambridgeshire County Council), wanted to put a contract out they would need to go through the tendering process.

How does the Teckal Exemption change this?

Where the company is wholly owned by the Council there is an exemption to this requirement. This is known as the Teckal Exemption. In order to qualify for the Teckal Exemption the Council must meet two tests; the control test and the function test.

The Control Test

The Council must control the company and its activities in the same way it would as if the service were their own department and activity.

For ECDC this will be controlled through both the Shareholder Agreement and the Operational Transfer Agreement.

The Function Test

The company must predominantly undertake work for the Council and any activity undertaken by the company for external bodies must be minimal. The Regulations place a limit on the company whereby only 20% of the turnover of the company can be from external contracts.

If the company was a Teckal company, organisations like Cambridgeshire County Council would be able to award contracts to the LATC without the need to go out to tender because the Teckal Exemption would apply.

Being a Teckal company and maintaining Teckal would increase the chances of the LATC winning contracts from organisations that are bound by public procurement rules as they would be free to award contracts to the LATC without the need to go out to tender.

Sub-contracting the Sanctuary Grounds Maintenance Contract to the Commercial Services Division of the LATC will assist in maintaining the Teckal Exemption.

4.2.2.2 Building a Reputation

Sub-contracting the Sanctuary Grounds Maintenance Contract to the Commercial Services Division of the LATC will enable the Service to build a commercial reputation and increase the potential of winning new and profitable contracts both inside and outside the East Cambridgeshire Boundary.

4.2.3 Financial Case

The financial case for transferring the Sanctuary Grounds Maintenance Contract is linked to the non-financial case for assisting in maintaining the Teckal Exemption, i.e. enabling the Council to win profitable contracts outside of the East Cambridgeshire Boundary whilst maintaining the Teckal Exemption.

There will be no financial detriment to the Council. The Commercial Services Division of the LATC will pay the Council the cost of the contract (i.e. the costs the Council would have incurred had the Council performed the contract) less the support service recharges, contribution from revenue to capital reserve and depreciation.

4.2.3.1 Expenditure

The 2015/16 budget has been used as a baseline to calculate the cost of the service. Revised budget data has been used to ensure incorporation of changes within the service during the year.

Service	2015/16 Expenditure (Budget)	2016/17 Expenditure (Planned)
Sanctuary Contract	232,666	244,299

Please note, budget setting for 2016/17 is currently underway, the 'planned' figure is subject to change. The 'planned' figure is shown for illustrative purposes only.

4.2.4.2 Income

In 2014/15 and 2015/16 the Sanctuary Grounds Maintenance Contract generated the following income:

Service	2014/15	2015/16
Sanctuary Contract	£228,373	£234,356

The income for future years is based on the income secured in the contract. There is no possibility for the Commercial Services Division of the LATC to generate additional income,

Negotiations are currently underway with Sanctuary for 2016/17 and beyond.

4.2.3.3 Profit and Loss Statement for 2015/16 (Profiled)

Sanctuary Grounds Maintenance Contract

Trading and profit and loss account for year ending 31 March 2016

		2015/16	2014/15
	£	£	£
Income			
Sales		234,356	228,373
		234,356	228,373
Expenses			
Staffing	150,748	133,222	
Insurances	2,846	2,831	
Repairs and maintenance	7,923	19,245	
Phone	602	397	
Motor vehicle expenses	6,771	14,509	
Hire & Purchases	17,738	10,134	
Tipping Fees	1,500	6,381	
Other	2,890	777	
Compensation	0	241	
Contribution to capital	8,400	8,400	
Service recharges	16,536	15,785	
Depreciation	15,209	13,196	
		<u>(230,663)</u>	<u>(225,118)</u>
Profit before appropriation		3,693	3,255

4.2.4 Maintaining or Improving Quality of Service

The Sanctuary Grounds Maintenance Contract will continue to be operated to the same standard as if it were being delivered by the Council. This will be controlled by the Open Spaces & Facilities Manager and the Team Leader Parks & Open Spaces. Work will be carried out in Year 1 to identify any possible improvements which will be included in the Year 2 business plan.

4.2.4.1 Plan for Maintaining or Improving Quality of Service

Benefit	Method assumption	Suggested measure	Timeframe
Maintained or improved quality of service provision	Working in a truly commercial manner in the best interest of the LATC and the community	Customer satisfaction	Baseline to be established prior to transfer, subsequent annual measure

APPENDIX 1- CORPORATE PLAN 2015-2019

APPENDIX 2

Ely Markets Team Generic Job Profile (draft)

Purpose

To manage the development, delivery and operation of the LATC Markets service.

Principal Accountabilities

1. To manage and deliver the LATC Markets, specifically weekly general and craft markets, Ely Farmers Market and specialist and continental markets and markets events.
2. To develop and promote the LATC markets including the development of marketing, publicity and promotional materials and initiatives, forward diary and planning of markets and events and the use of social media.
3. To design and implement systems to manage and maintain the viability of the markets services including new and existing trader management, Market Trader Regulations, finance records and proactive promotion and recruitment, equipment and facilities maintenance.
4. To manage the crew in setting up and close down of the regular markets, recruitment and supply.
5. To ensure the markets are compliant with statutory regulations and maintain awareness of policy or legislative changes which may impact on markets.
6. To represent the markets service externally and liaise with stakeholders, external agencies and advisers.
7. To work with the Council and with external agencies to complement and develop town centre services, initiatives and events.
8. Any other duties of a reasonable nature as directed by the LATC Board of Directors.

APPENDIX 3: FINANCIAL MODEL APPROACH

COMMERCIAL SERVICES LATC: FINANCIAL MODELLING FLOWCHART

Establishing the service cost

Current service cost
2015/16 Income
2015/16 Expenditure



- Efficiencies-
Casuals/Consultants
- Support service cost-
renegotiated contract
with each service



Revised service cost
The revised 2016/17 will be
derived from applying
assumed implications to
known 2015/16 spend.

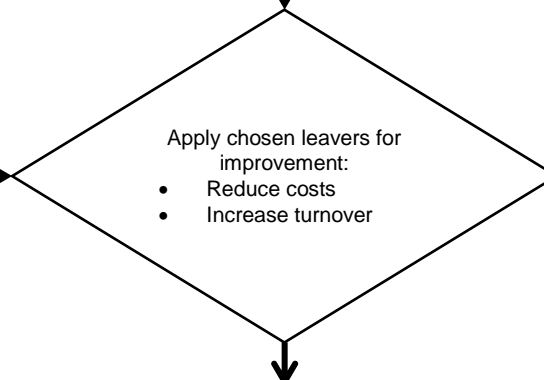
*This will be the baseline for
modelling the impact of
being at arms-length from
the Council*

Profile service sustainability

Future viability based on current activity
and expenditure

Use current income level
-
Revised service cost
=
Increased profitability

Balance (Profit)



Profile the improvement

Decide how quickly it should happen
Use selected improvement potential
figures to profile expected improvement
levels for a 3 year period



Profile the sources of income

Decide how the value and sources of
income will change over time

The profile service improvement

Profile the target
expenditure and income
level

*This will show the impact of
chosen levers on
expenditure and income
over 3 years*



Final product
Financial model will
demonstrate:

- Revised service cost
based on income and
expenditure, taking
account of assumed
implications
- Viability based on
current expenditure and
activity
- Improvement potential
- Profiled expenditure
and income over three
years with balance



The financial business case

Apply generic assumptions

- Incorporation of additional
expenditure/income e.g.
Additional management or
support services



Final product
Financial model will show:

- Revised service cost taking
account assumed implications
- Viability of Markets Service
based on current income,
expenditure and activity
- Improvement profit
- Profiled income and expenditure
over 3 years



Project costs

- Inclusion of identified
implementation and change
costs to enable a decision
whether to proceed with transfer
to LATC

