

Public Document Pack



**Service Director – Legal, Governance and
Commissioning**

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Monday 3 July 2017

Notice of Meeting

Dear Member

Cabinet

The **Cabinet** will meet in the **Council Chamber - Town Hall, Huddersfield** at **10.00 am** on **Tuesday 11 July 2017**.

This meeting will be live webcast. To access the webcast please go to the Council's website at the time of the meeting and follow the instructions on the page.

The items which will be discussed are described in the agenda and there are reports attached which give more details.

A handwritten signature in black ink, appearing to read "Julie Muscroft".

Julie Muscroft

Service Director – Legal, Governance and Commissioning

Kirklees Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair/Clerk of their intentions prior to the meeting.

The Cabinet members are:-

Member

Councillor David Sheard

Councillor Shabir Pandor

Councillor Peter McBride

Councillor Naheed Mather

Councillor Musarrat Khan

Councillor Erin Hill

Councillor Viv Kendrick

Councillor Masood Ahmed

Councillor Graham Turner

Councillor Cathy Scott

Responsible For:

Leader / Strategy and Strategic Resources, New Council & Regional Issues

Deputy Leader / Strategy and Strategic Resources, New Council & Regional Issues

Economy (Strategic Planning, Regeneration and Transport)

Economy (Strategic Housing, Regeneration and Enforcement)

Corporate (Place, Environment and Customer Contact Services)

Children

Adults and Public Health

Children

Corporate (Place, Environment and Customer Contact Services)

Adults and Public Health

Agenda

Reports or Explanatory Notes Attached

Pages

1: Membership of the Committee

To receive apologies for absence of Members who are unable to attend this meeting.

2: Minutes of previous meeting

1 - 6

To approve the Minutes of the meeting of the Committee held on 30 May 2017.

3: Interests

7 - 8

The Councillors will be asked to say if there are any items on the Agenda in which they have disclosable pecuniary interests, which would prevent them from participating in any discussion of the items or participating in any vote upon the items, or any other interests.

4: Admission of the Public

Most debates take place in public. This only changes when there is a need to consider certain issues, for instance, commercially sensitive information or details concerning an individual. You will be told at this point whether there are any items on the Agenda which are to be discussed in private.

5: Deputations/Petitions

The Committee will receive any petitions and hear any deputations from members of the public. A deputation is where up to five people can attend the meeting and make a presentation on some particular issue of concern. A member of the public can also hand in a petition at the meeting but that petition should relate to something on which the body has powers and responsibilities.

6: Public Question Time

The Committee will hear any questions from the general public.

7: Member Question Time

To consider questions from Councillors.

8: Discretionary Business Rate Relief - 1st April 2017

A report seeking consideration of a number of options that could be implemented for the discretionary business rate relief scheme in respect of this year and subsequent years and seeking approval of the option they propose to adopt.

Officer: Steve Bird 01484-221000

9: Corporate Plan 2017/18

A report seeking confirmation to adopt the Corporate Plan for 2017/18.

Officer: Andy Simcox – 01484-221000

10: West Yorkshire Joint Services Trading Company

15 - 70

A report seeking consideration of the establishment of a West Yorkshire Joint Services Trading Company.

Officer: Debbie Hogg – 01484-221000

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Contact Officer: Andrea Woodside

KIRKLEES COUNCIL

CABINET

Tuesday 30th May 2017

Present: Councillor David Sheard (Chair)
Councillor Shabir Pandor
Councillor Peter McBride
Councillor Naheed Mather
Councillor Musarrat Khan
Councillor Viv Kendrick
Councillor Graham Turner

Apologies: Councillor Masood Ahmed

239 Membership of the Committee

Apologies for absence were received on behalf of Councillor Ahmed.

240 Minutes of previous meetings

RESOLVED –

That the Minutes of the Meetings held on 4 April and 2 May 2017 be approved as a correct record.

241 Interests

No interests were declared.

242 Admission of the Public

It was noted that all Agenda Items would be considered in public session.

243 Deputations/Petitions

No deputations were received.

244 Member Question Time

No questions were asked.

245 Review of the Council Tax Reduction Scheme 2018/19

Cabinet gave consideration to a report which sought authority to consult on options to redesign the Council Tax Reduction Scheme for the year 2018/2019, and beyond. It was noted that the matters to be included within the scheme were set out within Schedule 12A of the Local Government Finance Act 1992. The report advised that, if the Council made a decision to revise the scheme, it must do so no later than 31 January 2018, for a scheme to have effect from 1 April 2018.

The report set out details of the options of; (i) making no major changes to the existing scheme (ii) reducing protection – a 10% scheme (iii) removing protection and having a standard 20% Council Tax Reduction Working age scheme (iv) a complete redesign and (v) general changes to the Council Tax Reduction Scheme.

Cabinet noted that the report was intended to give notice of an intention to change the Council's approach to providing a Council Tax Reduction Scheme, prior to undertaking a public consultation and the submission of a report to a future meeting of Cabinet. The proposals for consultation were set out at Appendix 1 of the considered report.

RESOLVED

- 1) That the options for redesign of the Council's Council Tax Reduction Scheme, as detailed within the report, be noted.
- 2) That approval be given for an 8 week Council Tax Reduction Scheme consultation process to be undertaken.
- 3) That the Service Director – Finance, IT and Transactional Services be given delegated responsibility to progress the consultation exercise and prepare the Council for any changes that may occur from the proposed options.
- 4) That a report detailing the outcome of the consultation exercise be submitted to a future meeting of Cabinet.

246 Council Financial Outturn & Rollover Report 2016-17; incorporating General Fund Revenue, Housing Revenue Account, Capital & Treasury Management

Cabinet received a report which set out details of the Council's 2016-2017 financial outturn position for the General Revenue Fund, Housing Revenue Account (HRA) and Capital Plan, including proposals for revenue and capital rollover from 2016-2017 to 2017-2018.

Cabinet noted that the Council's General Fund (net) Revenue budget for 2016-2017 was set at £310.8m and that there was a (net) funding transfer from reserves to a general fund during the year totalling £0.9m in 2016-2017, which resulted in a revised budget of £311.7m. The report advised that Council spend was £314.4m in

2016-2017 and that there was a reported overspend of £2.7m, equivalent to a 0.8% variance against the revised budget.

The report advised that, subject to approval, capital rollover proposals and the update of the five year capital plan would be incorporated into in-year financial monitoring in 2017-2018, and reported quarterly to Cabinet, from Quarter 1 onwards.

RESOLVED

- 1) That, in terms of the General Revenue Fund, (i) the revenue outturn position for 2016-2017 be noted, (ii) the year-end position on corporate reserves, including available 'financial resilience' reserves, be noted and (iii) it be noted that regular monitoring and review of corporate reserves in 2017-2018 will be reported to Cabinet as part of the quarterly financial monitoring cycle including consideration of the potential re-direct of earmarked reserves to support deferred District Committee spend commitments.
- 2) That, in terms of the Housing Revenue Account, (i) the revenue outturn position 2016-2017 be noted, and (ii) the year end position on HRA reserves be noted.
- 3) That, in terms of Capital, (i) the Council capital outturn position 2016-2017 be noted, (ii) approval be given to £39.2m capital rollover from 2016-2017 to 2017-2018, (iii) approval be given to the revised Capital Plan for the 5 year period 2017-2022, after taking into account rollover, the re-phasing of schemes and changes to grant assumptions, and (iv) it be noted that a further review of the updated capital plan to inform the annual refresh of Council multi-year budget strategies is scheduled for submission to Council during Autumn 2017.
- 4) That the review of treasury management activity 2016-2017, as set out in Appendix A of the considered report, be noted.
- 5) That Officers be asked to note Cabinet's concerns regarding the potential for expenditure late on in the financial year.

247 Update on the Kirklees Local Plan and the Community Infrastructure Levy

Cabinet received a report which provided an update on the progress of the Local Plan and Community Infrastructure Levy. The report advised that both documents had now been examined by an Independent Planning Inspector, appointed by the Secretary of State, and it set out a summary of outcomes of the publication consultation and the process of submission and examination.

Cabinet noted that the timetable for the Local Plan was set out within the existing Local Development Scheme, with the Examination set out for April to November 2017 and the adoption of the plan in early 2018.

Appendix 1 of the considered report set out details of the process of preparing the Local Plan. The report advised that the Planning Inspector was likely to identify a series of main matters, issues and questions which would provide the main context

of the Examination and initially seek written representations. Following this, the Council would advertise the arrangements for hearings for a six week period prior to the hearings commencing.

RESOLVED

- 1) That the update and progress on the Local Plan and Community Infrastructure Levy (Draft Charging Schedule) be noted.
- 2) That authority be delegated to the Strategic Director (Economy and Infrastructure) to update the Local Plan timetable on a regular basis throughout its Examination in Public, via the Council's website.
- 3) That authority be delegated to the Strategic Director (Economy and Infrastructure), in consultation with the relevant Cabinet Member/s, to prepare and agree a schedule of proposed main modifications (related to matters discussed at examination hearings) for a six week public consultation, if required by the Planning Inspector, in accordance with the Council's statement of community involvement, and other minor modifications as may be necessary to make the plan sound or comply with other legal requirements.

248 Quarter 4 Corporate Performance Report 2016/17

Cabinet received a report which provided an overview of the Council's corporate performance at the end of Quarter 4, 2016/2017. The report provided an update on progress on the outcomes and an overview of performance, risk, and the New Council programme.

The report highlighted a number of key points, which included; (i) the launch of the 2017-2020 Kirklees Hate Crime Strategy (ii) the completion of 93% of major planning applications within agreed timescales (against a target of 70%), and (iii) the Stronger Families Programme exceeding the engagement target, with the engagement of 1055 families.

A copy of the Quarter (4) Executive Team Corporate Performance Report (January to March 2017) was provided as an Appendix to the considered report.

RESOLVED

That the Quarter 2 Corporate Performance Report 2016-2017 be received and noted.

249 Leeds' Bid to be European Capital of Culture in 2023

Cabinet received a report which sought approval for the Council to provide a letter of support to Leeds City Council in relation to their bid to be European Capital of Culture 2023.

The report advised that the bid would be submitted at the end of October 2017 and that a successful bid would be considered as a major opportunity for the wider

Cabinet - 30 May 2017

region to boost cultural, social and economic development, and develop and create more jobs and skills within creative industry, as well as promoting pride and well-being.

Cabinet noted that the decision regarding the European Capital of Culture 2023 would be announced during Autumn 2018 and that the benefits of winning would provide the attraction of major national funding and events to the region, boost tourism, and raise the profile of Leeds and the wider region as a major European City.

RESOLVED

- 1) That support be given to Leeds' bid to be European Capital of Culture 2023 by the provision of a letter of support to be included within the bid.
- 2) That the involvement of cultural organisations from Kirklees in the bid be encouraged and that the potential benefits from employment and skills development opportunities, and access to initiatives, be noted.
- 3) That, should Leeds be successful, the potential call on regional funds to invest in the delivery of the bid be noted.

250 Ward Budgets 2017/18

Cabinet gave consideration to a report which sought approval for the criteria of ward budgets in 2017-2018, whereby each ward was allocated £10,000 to spend in 2017/2018. The proposed criteria for the allocation of monies, and the use of outstanding New Homes Bonus resources was set out within Appendices 1 and 2 of the considered report.

Cabinet noted that the criteria proposed supported the overall delivery of Council priorities and were intended to increase Ward Councillor responsibility in terms of devolved resources and maximising the use of local community skills, assets and resources to make communities thrive.

RESOLVED

- 1) That approval be given to the proposed new criteria in respect of ward budgets, and New Homes Bonus, as set out in Appendices 1 and 2 of the considered report, and that a proportionate governance process be developed in consultation with the Head of Audit and Risk.
- 2) That the following sentence to be deleted from Appendix 1, Paragraph 1.1 'Any money not committed by that time, or fully expended by 31 March 2018 will return to corporate funds.'

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KIRKLEES COUNCIL			
COUNCIL/CABINET/COMMITTEE MEETINGS ETC			
DECLARATION OF INTERESTS			
Name of Councillor			
Item in which you have an interest	Type of interest (eg a disclosable pecuniary interest or an "Other Interest")	Does the nature of the interest require you to withdraw from the meeting while the item in which you have an interest is under consideration? [Y/N]	Brief description of your interest

Signed: Dated:

NOTES

Disclosable Pecuniary Interests

If you have any of the following pecuniary interests, they are your disclosable pecuniary interests under the new national rules. Any reference to spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.

Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.

Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -

- under which goods or services are to be provided or works are to be executed; and
- which has not been fully discharged.

Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

Any tenancy where (to your knowledge) - the landlord is your council or authority; and the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -

- (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
- (b) either -

the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.



Name of meeting: Cabinet

Date: Cabinet 11 July 2017

Title of report: Discretionary Business Rate Relief – 1st April 2017

Purpose of report:

To set out a number of options that could be implemented for the discretionary business rate relief scheme in respect of this year and subsequent years for Cabinet to consider and to make a decision on the option they propose to adopt.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u>	Yes 26 th April 2017
The Decision - Is it eligible for "call in" by Scrutiny?	Yes
Date signed off by Director & name	
Is it also signed off by the Service Director, Finance and Transactional Services?	Yes
Is it also signed off by the Service Director, Legal, Governance and Commissioning ?	Yes
Cabinet member portfolio	Cllr Graham Turner

Electoral wards affected: All

Ward councillors consulted: N/A

Public or private: Public

1. Summary

At the March Budget, the Chancellor announced that the Government would make available a discretionary fund of £300 million over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation.

The intention is that every Local Authority will be provided with a share of the funding to support their local businesses and this will be administered through the discretionary relief powers under section 47 of the Local Government Finance Act 1988.

DCLG published a consultation on 9th March 2017 covering the methodology for distribution of the available funding between Local Authorities. This consultation closed on 7th April 2017.

The grant is subject to the condition that billing authorities consult their major precepting authorities before adopting a new scheme.

DCLG will announce in Quarter 2 of 2017/18 whether flexibility should be provided to Local Authorities to allow funding to be moved between financial years but there is a risk that if the money is not spent in year that it will be lost.

2. Information required to take a decision

- 2.1 The DCLG announced on 2nd May that West Yorkshire Councils are expecting to receive the following compensation. In terms of the funding being transferred to each council this will be 50% of the sum below representing the business rates income retained locally.

West Yorkshire distribution of £300m discretionary pot				
	2017/18 (£ '000)	2018/19 (£ '000)	2019/20 (£ '000)	2020/21 (£ '000)
Calderdale	317	154	63	9
Kirklees	577	280	115	16
Wakefield	834	405	167	24
Bradford	998	485	200	29
Leeds	1,688	820	338	48

Estimated Sec 31 grant - West Yorkshire distribution (50%)				
	2017/18 (£ '000)	2018/19 (£ '000)	2019/20 (£ '000)	2020/21 (£ '000)
Calderdale	158	77	32	5
Kirklees	288	140	58	8
Wakefield	417	203	84	12
Bradford	499	243	100	15
Leeds	844	410	169	24

- 2.2 Government wants authorities to only provide support to those ratepayers who are facing an increase in their bills following the 2017 revaluation; increases in rates following a revaluation are phased in over 4 years under the national transitional relief scheme.

- 2.3 The £300m Government funding has been distributed based on two criteria; the size of the property and the increase in rates they are facing.

1. the rateable property has a rateable value for 2017-18 that is less than £200,000;
2. the increase in the rateable property's 2017-18 bill is more than 12.5%

- 2.4 The funding is intended to provide short term financial relief and provide a targeted approach. At this stage the government hasn't confirmed its intentions in relation to any in year underspend. There is consequently a potential risk that the council could lose this funding if a scheme isn't brought forward. In addition resources haven't been provided for system and administrative activities. These factors have therefore heavily influenced the development of our approach.
- 2.5 The 2017 revaluation of 15,536 business rates properties in Kirklees has affected the properties in different ways depending on the operating business and the valuation office descriptions of the property; for information we have 103 different property descriptions within the valuation list.
- 2.6 All national, statutory reliefs, reductions and exemptions will be applied before any calculation for a local scheme can be considered. It's also worth noting that an empty shop can be fully exempt from rates in certain circumstances i.e listed buildings etc.
- 2.7 None of the West Yorkshire Council's intends to award more than the maximum grant from the Government, although there is an inherent risk in accurately modelling the criteria for any scheme and the amount to be awarded. Any shortfall in funding would need to be met by the Council.
- 2.8 A number of options have been considered and the following report sets out the pros and cons before making recommendations on the preferred way forward;
- 1) A targeted area based approach
 - 2) A qualitative approach to engage companies in key sectors of the local economy.
 - 3) A West Yorkshire transitional relief scheme
- 2.9 **Options 1 Area based approach**
- 2.9.1 A scheme based on targeted area based approach by postcode or street level would be simple to administer and the associated costs easily calculated.
- 2.9.2 However as an area contains a wide mix of businesses with various valuation office property descriptions (e.g. retail, post office, office and premises, restaurants, shops, stores, showrooms, offices, car parking, amusement arcades, betting shops, theatre ,markets, hairdressing salons, other commercial, other miscellaneous, etc. etc.) this scheme could have unintended consequences. The 2017 revaluation has affected these differently; some businesses on a typical street will have no rates payable, some will have reduced bills and some will see an increase in rates payable. Therefore, a blanket award to a street or area would appear to be contrary to the aim of the funding.
- 2.9.3 We also know for example that the business rates payable in Kirklees overall have reduced by approx £7.7m compared to last year; and within

this retailers in Kirklees have seen an overall reduction in rates payable of £2.1 million pounds.

2.9.4 The complexity of deciding which businesses would be awarded relief and what the criteria might be, adds considerable risk to the scheme. Neither does it provide a mechanism for introducing a financial cap. In estimating the costs of operating this scheme we looked to a similar application scheme when responding to businesses during the floods of 2015/6 and this took 4-6 part time staff and input from the accountancy team.

2.9.5 It should also be noted that there is a statutory appeal system and therefore any system we develop would need to be clearly set out and transparent in order to avoid or minimise the risk of challenge on the grounds of equity from similar businesses within or across West Yorkshire. Any challenges could result in a refund to the applicant and wider claims for relief at a point in time when the resources have already been utilised.

2.10 Option 2 A qualitative approach to target key sectors of the local economy e.g. advanced manufacturing sector.

2.10.1 This government funding allows the opportunity to make a positive statement to certain sectors and provide a time limited financial incentive for those businesses.

2.10.2 However a relief scheme would need to be devised to define those businesses in scope for relief as the businesses rates system does not contain a property description for advanced manufacturing companies. This would require time to develop and test to ensure it is deriving the intended impact. Such as delay would impact on the business liquidity as the full business rates debit is currently being collected.

2.10.3 It would also be cumbersome to administer requiring applications to be manually considered, approved and processed. This would require officer time to develop which hasn't been provided for within the discretionary fund. It would also be difficult to cap the financial cost to the authority.

2.10.4 This would create a delay in providing business relief and considerable risk to the scheme as the resource is time limited. It should also be noted that there is a statutory appeal system and therefore (as already set out above) any system we develop would need to be clearly set out and transparent in order to avoid or minimise the risk of challenge on the grounds of equity from similar businesses within or across West Yorkshire. Any challenges could result in a refund to the applicant and wider claims for relief at a point in time when the resources have already been utilised.

2.11 Option 3 - West Yorkshire (WY) transitional Scheme

2.11.1 The West Yorkshire Councils have been examining the possibility of a regional scheme with the following design features of the existing national transitional relief scheme;

- a) This scheme should be simple to administer and keeping the scheme simple will minimise the burden, whilst also making it easy to understand for ratepayers. It would offer a consistent approach across all Kirklees as well as neighbouring Councils and help target money at those businesses intended by the funding.
- b) There is a national transitional relief scheme which already provides some protection for ratepayers having increases in rates payable depending on the size of their property. Three bands are used to do this, small, medium and large.
- c) It is proposed to allow relief to those RV's in the small and medium bands as most properties fall within these, and on the basis that business with large properties may be better placed to absorb the steep rise in rates.
- d) It matches the Governments ambition that relief is only available to smaller ratepayers. For Kirklees this would be approx 1,728 business ratepayers. See table below.
- e) The joint West Yorkshire scheme should minimise the risks associated with a legal challenge as the main criteria have already been established, and it may be that any cost of defending the scheme (if applicable) could be shared.
- f) The table below shows how much could be awarded, with some assumptions about those likely to fail under these rules. See also additional criteria agreed for WY scheme – **Appendix 1**.

Rates Increase greater than zero	Business Rate Relief Scheme	Value £	Accounts
	Medium	£624,301.19	459
	Small	£506,798.44	1269
Cost	full protection	£1,131,099.63	1,728
Protection	Option 3 - 50%	£565,549.82	
Excludes state aid, Council, Police and Fire (Sec 47), health and State Schools			

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

This proposal does not directly impact on outcomes for EIP, but it should help sustainability of income for some residents who are employed by the benefiting organisations and sole traders in the Kirklees area.

3.2 Economic Resilience (ER)

Quickly allocating the local business rate relief funding under a simple administrative system should help the sustainability of local businesses and Jobs in Kirklees. There could potentially be some additional benefits to be

realised by using either the area or sector based approaches but these are difficult to quantify without further detailed analysis of the relevant data and would need to be considered in the light of some of the administrative and resource issues considered in this report.

3.3 Improving Outcomes for Children

This proposal does not directly impact on outcomes for Children.

3.4 Reducing demand of services

There should be less avoidable contact as there will be less business rates to collect.

The award of additional grant should reduce the level of debt within business generally as well as ensuring more money circulates in the Kirklees economy.

A more targeted approach would require some administration costs to be funded.

3.5 Equality Impact Assessment

This allocation of grant income should not adversely affect any groups in Kirklees and the awards are for existing business and sole traders.

3.6 Financial, Legal and Other Implications

The Financial implications are as set out in 2.1 & 2.11 above

The modelling for the Local West Yorkshire transitional relief scheme is shown in 2.11 above, and criteria in Appendix 1

There are no specific legal implications other than those set out in the sections above and below (consultation)

4. Consultees and their opinions

There is a legal obligation to consult with the Police and Fire Authorities; this is being undertaken already on a West Yorkshire basis

The Fire authority has responded and their response is copied below;

“The Authority is dependent on income from Business Rates to fund service provision and would only support a scheme that does not impact on the Authority’s financial position”

5. Next steps

- Agree the final criteria for the West Yorkshire business rate relief scheme across West Yorkshire.
- Complete the consultation with major preceptors
- Contact the IT provider and undertake system testing on the new scheme.

6. Officer recommendations and reasons

1. For Cabinet to approve option 3 - A local West Yorkshire transitional relief scheme as the preferred option.
2. That the Service Director for Finance, IT & Transactional Services is given delegated responsibility to conclude the preceptor consultation exercise and assuming a positive response from the Police consultation exercise to put in place all the relevant steps to enable the Council to implement the new business rate relief scheme.

7. Cabinet portfolio holder recommendation

The portfolio holder supports this development of a West Yorkshire Business relief scheme as outlined in Option 3. Officers have also been asked to review the existing start up and retention policy with a view to establishing whether it can be improved and increased take up.

8. Contact officer

Steve Bird - Head of Welfare and Exchequer Services

9. Background Papers and History of Decisions

None

10. Assistant Director responsible

Debbie Hogg, Service Director for Finance, IT & Transactional Services

Appendix 1 - Additional West Yorkshire Scheme Criteria – Option 3

Q. Why is the local West Yorkshire Transitional Relief (TR) scheme only for small and medium RV properties?

- Councils are looking for a simple scheme that is easy to administer
- The WY scheme mirrors the existing TR statutory thresholds for small and medium properties.
- The criteria matches the Governments ambition that relief is only available to smaller sized ratepayers (This assumes that business with large properties may be better placed to absorb the existing TR rise in rates without additional support.)
- The % awarded across WY Councils (in year 1) should be the same or very similar based on the agreed criteria and design principles.

Q. What % relief would be awarded to small and medium businesses?

Q. How will different funding levels be dealt with each year?

- The WY Councils (in year 1) are all seeking to award 50% of any rise in business rates following the award of all other reductions and reliefs, i.e TR, Pubs, SBR etc.
- All WY Councils reserve the right to amend this % awarded (in year; and at for each new financial year) based on any additional information, the level of grant funding and/ or legislative guidance.

Q. Are any properties specifically excluded from the WY scheme?

- State schools are excluded due to section 47 of the of the Local Government Finance Act 1988
- Police and Fire authority premises are also excluded under section 47 of the of the Local Government Act 1988
- Empty properties are excluded from the WY scheme; therefore relief can only be awarded if the property if occupied and trading
- Large RV properties as defined by the existing national TR scheme are excluded.
- Multi-National companies have been excluded due to the State Aid restrictions.

Q Will the relief end if the occupier changes in a property?

- The relief would follow a property, i.e. new occupiers would also receive the relief up to 31 March

Q. Will business rate accounts be adjusted after the relief is awarded if there is a change in circumstances? (i.e. backdate RV reductions, additional relief awarded, or property vacated etc.)

- Yes the business rate charge will be amended due to any changes in circumstances where it would affect the level of relief awarded. The effective date would be the date of change.

Q. Can awards be made for the same company with more than one property?

- Yes the proposal is to award a set % for all increases in Rates after all reductions and reliefs have been awarded.

- Companies are however responsible for notifying the WY Councils if State Aid rules should apply.

Q. What will happen if we don't spent or use up all of the proposed funding?

- The government have not confirmed if underspends will have to be repayed or if they can be moved between years. This will therefore be determined later in the year.

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Name of meeting: Cabinet & Council
Date: 11th July 2017
Title of report: Corporate Plan 2017/18

Purpose of report

This report seeks to confirm adoption of the Corporate Plan for 2017/18.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Not applicable
The Decision - Is it eligible for call in by Scrutiny?	Not applicable
Date signed off by <u>Strategic Director</u> & name	Jacqui Gedman, Acting Chief Executive
Is it also signed off by the Service Director for Finance IT and Transactional Services?	Debbie Hogg, Service Director – Finance, IT and Transactional Services
Is it also signed off by the Service Director for Legal Governance and Commissioning Support?	John Chapman, Deputy Head of Legal Services
Cabinet member portfolio	Cllr David Sheard, Leader of the Council Cllr Shabir Pandor, Deputy Leader of the Council

Electoral wards affected: Not applicable
Ward councillors consulted: Not applicable
Public or private: Public

1. Summary

The Corporate Plan 2017/18 (see Appendix (1) below) summarises the strategic aspirations for the Council for this financial year. It also provides the context within which corporate service planning and performance reporting takes place and is a departure from the approach taken in previous year. It is much shorter in length and more focussed on key messages.

It contains the Council's vision and its Values. It makes reference to the seven shared outcomes for Kirklees, developed with our partners in the public, private and voluntary sectors. It also sets out key themes for the year, the priority council activities contributing to the achievement of the outcomes.

Adoption of the Corporate Plan will mean that the Council has a strong and clear message about the context of the resources approved at Council on the 15 February 2017. It will be an effective tool in communicating Council aspirations in all services and to all staff. It will also be the anchor point for corporate service planning and performance reporting in 17/18.

2. **Information required to take a decision**

There are two driving forces to accommodate in building a refreshed performance management approach

- A Strategic (top/down) requirement to identify and report progress against the desired outcomes for people in Kirklees, as articulated by the seven Kirklees Outcomes
- An operational (bottom/up) need to ensure financial and operational grip

The Corporate Plan plays a key role in linking the desired outcomes for people in Kirklees to what we do on the ground through service operations. It helps with the golden thread for the organisation – the sense of shared purpose from the highest aims of the Council, an individual employee's contribution and everything in between.

The Corporate Plan is also a holistic statement of Council intent for the given year. As such, it is a powerful tool for communication to be used internally across the full spectrum of services. It is also a powerful way of communicating to the public what the Council is doing on their behalf.

A key factor in running an effective organisation is the ability to bridge the divide between the strategic (top/down) and operational (bottom/up) drivers into an approach which is clear, proportionate, simply communicated and professionally executed. The Corporate Plan is pivotal in this aspiration.

In previous years the Corporate Plan has typically been a twenty page document that has sought to include a wide range of internal and external drivers together with intentions on how to address each. This year the Corporate Plan is a one page document. Its intention is to provide a keen focus on key messages, mirroring the new council aspiration to focus resources on things that only the Council can do.

3. **Implications for the Council**

In that the Corporate Plan 2017/18 provides the high level context in which all operational delivery will take place, it has an influence on all five sub-headings. The schedule of key themes is a framework for service planning. The schedule of key themes includes activities that are intended to make a positive contribution in 3.1, 3.2, 3.3 and 3.4. These plans have been developed within the resource availability and budget approved at Council on the 15 February 2017.

- 3.1 **Early Intervention and Prevention (EIP)**
- 3.2 **Economic Resilience (ER)**
- 3.3 **Improving Outcomes for Children**
- 3.4 **Reducing demand of services**
- 3.5 **Other (eg Legal/Financial or Human Resources)**

The council under section 149 Equality Act 2010 must have due regard to the need to (a) eliminate discrimination, harassment, victimisation, (b) advance equality of opportunity between persons who share a protected characteristic and persons who do not share it.

4. **Consultees and their opinions**

Cabinet and the Labour Group were consulted on the formulation of the Council Values. Executive Team and Service Directors have been consulted on Key Themes.

5. Next steps

Once adoption of the Corporate Plan is confirmed, it will be added to both the internal employee intranet site and the external Council Website.

6. Officer recommendations and reasons

- (i) It is recommended that cabinet approve the Corporate Plan 2017/18 and recommend to full council to adopt the Corporate Plan 2017/18 at its meeting on 11th July 2017.
- (ii) Delegate authority to the Chief Executive in consultation with the Leader and Deputy Leader to make any consequential amendments following consideration by full Council on 11th July 2017.

It is overarching plan forming part of budget and policy framework, setting out the vision and priorities for the 2017/18 and to enable adoption by full council and publication thereafter.

7. Cabinet portfolio holder's recommendations

Not applicable

8. Contact officer

Andy Simcox, Council Business Manager
Nick McMillan, Corporate Performance Lead Officer

9. Background Papers and History of Decisions

Budget Council 15 February 2017

10. Service Director responsible

Kim Brear, Office of the Chief Executive

Our Vision:

"We want Kirklees to be a district which combines a strong sustainable economy with a great quality of life – leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives."

Appendix (1)

Our Values:

Leadership

Leading the council, its partners and communities in managing resources efficiently to maintain services

Progressive

Driving innovation based on engagement with all, helping to foster and develop a thriving area

Responsible

Work with communities to create a sustainable environment for people; improving health and well-being and building a strong local economy

Equality

Working together to meet the needs of our citizens to create opportunities for everyone and a fairer society

How we will do this:

We will provide strong community leadership and not shirk from taking difficult decisions to provide the services our residents deserve within the resources available.

We must work smarter and will make sure our workforce have the skills to do this. Our innovation will be driven by up to date and relevant intelligence to deliver services that are more accountable, more flexible and more efficient, within the resources available.

We will strive to create a great quality of life and an environment where our economic performance benefits all our citizens and our communities provide the right locations for all our residents to lead healthy, safe and fulfilled lives.

We recognise people's different needs, situations and goals and will remove the barriers that limit what people can do. We will work towards a fairer society, where everyone can participate and has the opportunity to fulfil their potential.

Our Shared Outcomes (developed with our partners in the public, private and voluntary sectors):

- People in Kirklees feel safe and are safe/protected from harm
- People in Kirklees live independently and have control over their lives

- A council that works smart and delivers effectively and efficiently

- Kirklees has sustainable economic growth for communities and businesses
- People in Kirklees experience a high quality, clean, and green environment
- People in Kirklees are as well as possible for as long as possible

- Children have the best start in life
- People in Kirklees have aspiration and achieve their ambitions through education, training, employment and lifelong learning

Our Key Themes (priority council activities contributing to the achievement of the outcomes):

- People in Kirklees feel safe and are safe/protected from harm**
- Communities contributing to early intervention and prevention
 - Reduced community tensions
 - Sustainable solutions for community safety
- People in Kirklees live independently and have control over their lives**
- Deliver Democracy Commission recommendations (draft)
 - Delivering schools as community hubs
 - Effectiveness of community hubs and local delivery for adults
 - Quality, sufficiency and stability in the adult social care market
 - Timeliness and quality of adult social care assessments and reviews
 - Integrated adult social care access points
 - Meeting the housing needs of vulnerable people

- A Council that works smart and delivers effectively and efficiently**
- Effective customer first points of contact
 - More digital and self-serve transactions
 - Information technology enabling Council transformation
 - An intelligence system in support of effective commissioning
 - Council property assets that are fit for purpose (supporting community strength)
 - The promotion of community leadership
 - Improving outcomes by working collaboratively with our partners

- Kirklees has sustainable economic growth for communities and businesses**
- Business and jobs growth
 - Revitalising Huddersfield and transforming Dewsbury
 - More and better quality homes
 - Improving physical/digital connectivity
 - Protecting and making the best use of social housing stock
- People in Kirklees experience a high quality, clean, and green environment**
- Effective management of waste
 - Making the most of greenspaces
- People in Kirklees are as well as possible for as long as possible**
- Reducing health inequalities through community activity and physical activity
 - Prevention of avoidable infection/diseases

- Children have the best start in life**
- All children and young people (CYP) to be rounded, resilient and ready
 - Strengthening families
 - Independent and resilient Looked After children and care leavers
 - Integrated working across all children's social care agencies and other partners
 - Therapeutic support for children who need it
 - Supporting communities schools, carers/ families of children, including young people with special educational needs and disability
- People in Kirklees have aspiration and achieve their ambitions through education, training, employment and lifelong learning**
- A skills strategy to meet local need
 - Helping people into training and to progress into meaningful employment
 - Best possible educational outcomes for CYP
 - Sufficient quality learning places for Kirklees
 - Tackling poverty and welfare support for people in financial need
 - A broad range of Education, employment & leisure opportunities for disabled people

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Name of meeting: Cabinet

Date: 11 July 2017

Title of report: West Yorkshire Joint Services Trading Company

Purpose of report: To consider the establishment of a West Yorkshire Joint Services Trading Company

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	Not applicable
The Decision - Is it eligible for "call in" by Scrutiny?	Yes
Date signed off by Director & name	
Is it also signed off by the Service Director Finance, IT and Transactional Services	29 June 2017
Is it also signed off by the Service Director Legal , Governance and Commissioning (Monitoring Officer)	30 June 2017
Cabinet member portfolio	CllrShabir Pandor Cllr David Sheard

Electoral wards affected: N/A

Ward councillors consulted: N/A

Public or private: Public

1. Summary

This report sets out the background to the proposed establishment of a trading company, with a business case to support that which has already been approved in principle by the West Yorkshire Joint Services Committee and seeks approval for Kirklees Council to participate in that company.

2. Information required to take a decision

Background

Within WYJS, there are four scientific services or commercial services as they have more recently become known. These services grew up from providing services largely based around the trading standards regulatory function, and provided services to the public sector. However, as public sector finances have reduced, opportunities have arisen and been taken to develop more work for the private sector.

The level of this work has now developed to the extent that in 3 of the 4 areas, that work can no longer be provided under the local authority general powers to trade – Local Authorities (Goods and Services) Act 1970. This is due to the increase in value of private sector work. Wider trading with the private sector is permitted by section 95 of the Local Government Act 2003 BUT that power to trade must be exercised through a company. Further legal background is given at Appendix 1.

The Proposal

2.1 A number of key principles will be established as follows:

- It is proposed to establish a trading company structure to allow certain activities to be sold to the private sector only where there is no power to trade through the WYJS Joint Committee;
- Work to the public sector will continue to be provided through the WYJS Joint Committee structure;
- Staff will not TUPE to the new company;
- Work done for the private sector will be undertaken by the trading company using staff and equipment loaned to it by the WYJS Joint Committee at commercial rates;
- The Articles of Association for the Company will be drawn widely however the Contractual and Financial Procedure rules will provide appropriate levels of delegation and authority for managing the business of the trading company, as they do through the WYJS Joint Committee arrangements;
- Any profits generated may be subject to corporation tax. Advice is being sought on transfer pricing, taxation and profit distribution. Any profit will be payable to the constituent authorities in accordance with the appropriate distributions policy to be agreed.
- There will be a service level agreement between the trading company and the WYJS Joint Committee to manage the terms on which staff and equipment are loaned, support services are provided, and service standards connected to those;
- Initial set up costs of £100k have been factored into the financial forecasts and there is an anticipation that this will be funded by a loan between the Joint Committee and the trading company at the prevailing rate of interest. As some of those set up costs are already being incurred there may well also be a charge between the Joint Committee and the trading company and this will affect the profitability of the company in the initial months and impact upon any tax liability;
- The Joint Committee will charge an appropriate fee to the trading company to cover the usage of staff and assets and this will be formulated in such a way as to satisfy any transfer pricing arrangements. There will be a balance when recharging costs as too low could be classed as state aid and too high could be seen as a

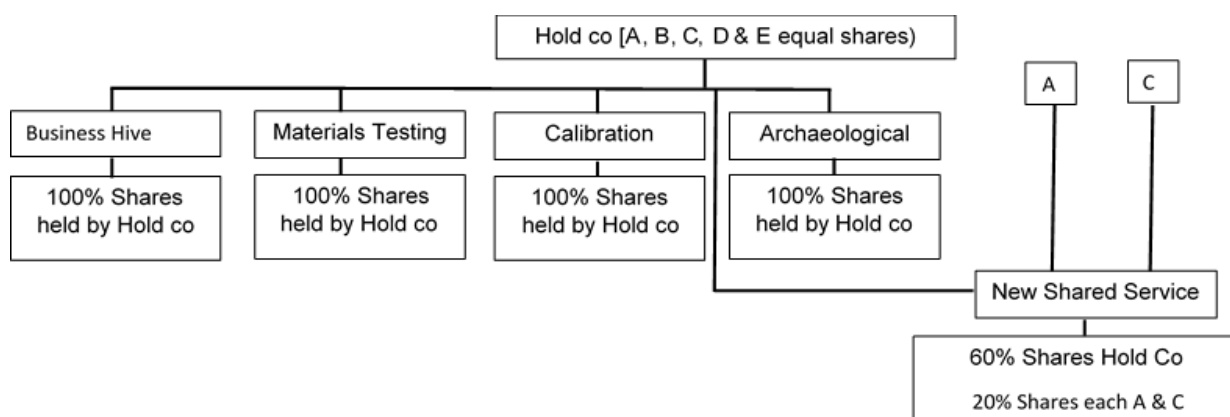
mechanism to avoid corporation tax. A robust methodology will therefore be devised prior to start up.

2.1.1 A group structure, with a holding company (Holdco) and a series of subsidiaries is the model used by YPO. It allows a single layer of control and direction, with each distinct area of activity being undertaken through a distinct subsidiary company. As the services within WYJS are so diverse, with different customer bases and brands, it is particularly suitable. It will also allow other services to be added into the structure in the future.

2.2 Future Proofing the Model

2.2.1 There is ongoing discussion between the 5 constituent authorities around services that may be shared in the future and delivered through this model. WYJS have the governance structure in place, and this might be more attractive than setting up separate trading vehicles in each local authority. The two are not mutually exclusive and there is definitely NO commitment on the part of the constituent authorities to share further services. This merely allows them to do so, as long as 2 or more Councils want to share services and use WYJS as the delivery vehicle to trade them.

Shareholding and Distributions Policy – How it would work



2.2.2 In the diagram above, which is for illustration purposes only, the new shared service option is a collaboration between A & C only. To maintain the group structure the Holding Company must retain at least 51% of the shares but (60% has assumed for simplicity in this illustration) with the remainder owned by the participating councils A & C. The table below sets out an option for the shareholdings and distribution policy.

Company	Shareholding	Distribution
Hold Co	20% each A,B,C,D,E	A per each Councils contribution rate – Kirklees 18.69%
Materials Testing	100% Hold Co	100% Hold Co
Calibration	100% Hold Co	100% Hold Co
Archaeological	100% Hold Co	100% Hold Co
Business Hive	100% Hold Co	100% Hold Co

New Shared Service	60% Hold Co 20% A 20% C	10% Hold Co 45% A 45% C
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2.2.3 To maximise flexibility and “future proof” the company, it is possible to establish a mixed shareholding arrangement so that 2, 3 or 4 of the Councils can put additional services into a shared delivery arrangement as a subsidiary trading company.

2.2.4 The subsidiary would then have Holdco as a shareholder, but would also offer shares to the relevant participating Councils. The benefit of this is that it would allow only those participating Councils to have direct benefit and control in the company in which they have a stake and where services are provided back to them.

2.2.5 Holdco would remain the majority shareholder, and the precise shareholding between the other councils can be negotiable. A distributions policy would then be drafted to reflect the appropriate profit to be shared between the participating Councils and Holdco.

2.2.6 A shareholders’ agreement would be needed in respect of Holdco and this would also cover each wholly owned subsidiary and how it operated. For any future shared services where only 2, 3 or 4 Councils are participating, there would need to be a separate shareholders’ agreement managing that relationship between the participating councils and Holdco as the relevant shareholders.

2.3 Structure

2.3.1 Shareholding

The 5 Councils will be equal shareholders in Holdco.

2.3.2 Directors

It is recommended that the Directors of Holdco are the Leaders of each Council or their nominee and that WYJS officers are appointed as directors of the subsidiaries – this would allow daily and operational business to be undertaken quickly and efficiently by officers, with key strategic direction and decisions made by elected members. If a new shared service subsidiary is established, then those participating Councils may expect to have board representation to support their individual shareholdings – this can be agreed at that point.

2.3.3 Shareholders Agreement

There will be a shareholders’ agreement between the 5 participating Councils in Holdco. If further subsidiaries are established then a separate shareholders’ agreement will be agreed in which only those participating would be a party to.

2.3.4 Reserved Matters

Amongst other things in the agreement, there will be “reserved matters” which will include;

- Approval of business plan
- Entry in to major contracts (level and type can be specified)
- Borrowings, loans etc
- Issue of new shares

- Appointment or removal of Directors
- Issuing and transfer of new shares (to allow additional local authority “partners” to be brought on board)
- Distribution of profits
- Dispute resolution procedures
- Exit arrangements including potential sale of shares

By reserving matters to the shareholders, it means that the Directors of the company cannot make certain decisions without assent of all of the shareholders. For Holdco, this means the five Councils. For a subsidiary, it means that certain decisions are reserved to Holdco (the overarching shareholders’ agreement in Holdco can then ensure that matters are further reserved to the Councils as shareholders in Holdco). This type of agreement is more straightforward than it appears, both to draft and to operate.

Details of shareholders agreements are confidential between the parties (potentially subject to Freedom of Information Act), whereas the Articles of Association are held at Companies House and are freely available.

2.4 How Would Other Councils Come On Board?

- 2.4.1 It may be that other Councils would wish to share similar services to those currently provided by WYJS or to be included in any future shared service arrangements.
- 2.4.2 Those other Councils could simply become customers of the Company (in the same way that they can be now as customers of WYJS using powers under the Local Authorities (Goods and Services) Act 1970.
- 2.4.3 However, if those Councils wanted something more, then they could be invited to join the company arrangements. Shares could be offered in a relevant subsidiary company, or through Holdco (reflecting the fact that any such Council wasn’t involved in the original WYJS arrangements, these could be offered as different share classes giving different rights and profit distributions.

2.5 Procurement Issues and Teckal

Members may be familiar with “Teckal” companies. The Teckal Exemption allows contracting authorities to award contracts to entities they control without having to go through procurement procedures. There are restrictions on the level of third party business such a company can undertake without losing the exemption– at 20% of turnover.

Teckal is not an issue here, as any work that the Councils themselves wish to procure can be done through the WYJS committee structure (see below for how this will work). Furthermore, if there was a desire to merge all work, whether for the Councils or the Private sector in the company arrangements then because work undertaken for third parties

already exceeds 20% this would mean that Teckal might be failed in any event.

2.6 Business Case

2.6.1 Under the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009, members must consider and approve a Business Case which is a comprehensive statement that sets out;

- The objective of the business including current activities and proposed activities
- An assessment of risks faced
- A SWOT analysis
- Long terms trends
- Costing and charging policies
- Resource requirement in terms of staff and operational resources
- Online start-up costs and investment required
- Sources of finance

2.6.2 A Business case was considered by the WYJS Joint Committee in December 2016 and a summary is attached at Appendix 2. The current proposal is to transfer three existing service areas into the trading company, these being Archaeological Services, Materials Testing, Calibration Services. These are well-established income earning service areas or cost centres within WYJS. All services are operating as commercial services in support of its' budget strategy. Regular monthly business reviews take place with all these service areas with the revenue position reported to the Joint Services Committee at each meeting. Based on the trading position as at the end of March 2017, all service areas are projecting a surplus revenue out turn position. In this regard the transfer of these areas to a trading company is considered low risk.

2.6.3 The fourth service which is proposed to transfer into the trading company is the refurbished conference and meeting room facilities branded as the WY Business Hive. Whilst this is a new venture before the refurbishment these facilities they were rented out to customers, local businesses on a smaller scale.

A summary of the Business Case, which was considered and approved by the WYJS Joint Services Committee in December 2016 is attached at Appendix 2

2.7 Finance

In addition to the trading company requiring capital to fund start-up costs, there will also be a significant working capital requirement. A number of models have been explored and more detail is included in

the business case at Appendix 2. The maximum additional cash that the trading company could require is £1m in period 5 of trading. The intention is to manage that cash requirement through a mixture of a loan, favourable trading terms with the Joint Committee (i.e. making payment 90 days in arrears) and offering incentives to customers for faster payment with the aim of reducing debtor days from a current average of 60 to closer to 30 days.

In addition to a working capital requirement of £550k, it is sensible to allow some headroom up to £1m which can then be used to fund any equipment purchases or other requirements.

The loan will be made by Wakefield MDC, as host authority, but as all 5 constituent authorities support WYJS, then there will need to be a legal agreement in place where all 5 Constituent authorities indemnify Wakefield for any loss incurred as a result of making that loan. This indemnity will be provided on the same basis as the contribution rates payable to West Yorkshire Joint Services.

Wakefield MDC have provided assurances that they will be working with WYJS to minimise these requirements and therefore our financial exposure.

2.8 Legal issues

The legal implications are set out in Appendix 1

The Councils' Service Director Legal, Governance and Commissioning (Monitoring Officer) is aware of the legal implications

Appendix 2 is a summary of the Business Case that was considered by the WYJS committee in December 2016. The business case in its entirety is designated as exempt from publication in accordance with paragraph 10.4(3) of Schedule 12A(3) of the Local Government Act 1972 on the grounds that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). Given that the appendix contains commercially confidential information, the release of which would be damaging for both the Council and also West Yorkshire Joint Services, it is considered that the public interest in maintaining the content of this appendix as exempt from publication outweighs the public interest in disclosing the information. Members wishing to see a copy of the full business case should contact the officer named below

2.9 Risk Management

Officers of West Yorkshire Joint Services are managing the risks involved with the establishment of the trading company.

Wakefield MDC are the responsible body in terms of Monitoring Officer and Section 151 responsibility for West Yorkshire Joint Services and are actively engaged in and monitoring this.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

None

3.2 Economic Resilience (ER)

None

3.3 Improving Outcomes for Children

None

3.4 Reducing demand of services

None

4. Consultees and their opinions

This proposal has been twice to the West Yorkshire Joint Services Committee for consideration and approval. Kirklees have member representation on that committee.

The proposal has also been considered in outline at meetings of the 5 West Yorkshire Chief Executives and Leaders

5. Next steps

Each of the 5 West Yorkshire Councils who are signatories to the West Yorkshire Joint Services agreement are being asked to agree to the establishment of this trading company. Once all 5 have agreed, then the West Yorkshire Joint Services committee will make the final decision to create the company and the necessary legal process will be completed. All legal documentation will be approved by the Council's Assistant Director Legal, Governance and Monitoring

6. Officer recommendations and reasons

It is recommended that Cabinet;

1. Notes the legal position as set out in Appendix 1 in particular that the company will be a controlled company for the purposes of the Local Government and Housing Act 1989;
2. Notes that the Council provides an indemnity to its appointed representative under the terms of The Local Authorities (Indemnities for Members and Officers) Order 2004;
3. Considers and approves the Business Case at Appendix 2 in support of the proposal to trade through the establishment of a trading company;
4. Agrees to the formation of a Holding Company to be limited by shares wholly owned by the founding members of the West Yorkshire Joint Services Committee, i.e. Bradford, Calderdale, Kirklees, Leeds and Wakefield which will protect the business of the West Yorkshire Joint Services Committee, and to 4 subsidiary companies for Materials Testing, Calibration Services, Archaeological Services and Business Hive, to be owned by the Holding Company;

5. Agrees to the Council being involved as shareholder in the West Yorkshire Joint Services Trading Company and its' subsidiaries, on the basis set out in this report;
6. Agrees to participate as Directors of the Company on the basis set out in this report;
7. Notes and agrees the proposed governance and funding arrangements for the company as set out in the report;
8. Agrees to participate through a shareholders agreement on the terms set out in draft in this report, and authorise the Service Director Legal , Governance and Commissioning (Monitoring Officer) to agree final terms and execute the agreement on behalf of the Council which should be on the same basis as the contribution rates payable to West Yorkshire Joint Services.
9. Delegates authority to the Service Director Legal , Governance and Commissioning (Monitoring Officer) to agree terms and enter into an agreement with the other 4 constituent authorities to indemnify Wakefield Council against any loss incurred as a result of making a working capital loan to West Yorkshire Joint Services HoldCo. This indemnity will be provided on the same basis as the contribution rates payable to West Yorkshire Joint Services.

7. Cabinet portfolio holder recommendation

The Cabinet portfolio holder supports the officer recommendations

8. Contact officer; as set out below

9 Background Papers and History of Decisions

West Yorkshire Joint Services Committee Minute 50 (2015/16)
 West Yorkshire Joint Services Committee Minute 46 (2016/17)
 Business case as appended to this report at Appendix 2

10. Assistant Director responsible

Debbie Hogg Service Director Finance, IT and Transactional Services

Joanne Bartholomew Service Director Commercial, Regulatory & Operational Services

Appendix 1

1.1 Section 95(1) of the Local Government Act 2003 (**2003 Act**) authorises the Secretary of State to make an order allowing relevant authorities to “do for a commercial purpose anything which they are authorised to do for the purposes of carrying on any of their ordinary functions”. This has been exercised most recently through the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (**the Order**).

1.2 There are a number of restrictions in the scope of the Order. Whilst expressed as restrictions or limitations on the Order itself, they should be seen as similarly restricting or limiting the Councils from achieving certain ends through the proposed trading company (**the Company**). The three principal restrictions are:

- (a) The Councils cannot do in relation to a person anything which it is required to do in relation to that person under its ordinary functions (Section 95(2)(a)). In other words, the Councils cannot convert a service which it has duty to provide into a traded service;
- (b) The power cannot be used where the Councils are already specifically authorised to act for a commercial purpose (Section 95(2)(b));
- (c) The power is only exercisable through a company.

1.3 Under section 96 of the 2003 Act, the Councils are obliged to have regard to guidance issued by the Secretary of State. Such guidance has been issued by the Office of the Deputy Prime Minister in July 2004, which was partially amended by the Department for Communities & Local Government in April 2007. The guidance is titled “General Power for Local Authorities to Trade in Function Related Activities through a Company” and it is confirmed within its text that it is statutory guidance to which the Councils must have regard.

1.4 The Order contains two important provisions:

- (a) Before exercising the power, the Councils are required to prepare a Business Case in support of the proposed exercise of the power which must be approved by the Councils;
- (b) Where the Councils provide the Company with assistance in the way of accommodation, supplies, staff etc, it shall recover the costs thereof.

1.5 The ordinary functions to which the trading activities relate consist of those governing the particular services described in the business plan.

1.6 Whilst section 95 provides the necessary statutory power to establish a trading company, it is important to recognise that the company will be subject to regulatory controls under both the Companies Act 2006 and Part V of the Local Government and Housing Act 1989 (**LGHA 1989**).

1.7 Whilst the Company is a “controlled” company for the purposes of Part V and the Local Authorities Companies Order 1995 (**the 1995 Order**), the requirements associated with such are largely administrative. Formerly, the status as a controlled

company meant that local authority trading companies were caught by the same capital controls as applied to the local authority itself, as found in Part IV of the LGHA 1989, but these provisions were repealed in 2003. The remaining requirements are found in the 1995 Order and cover issues such as the fact that the Company is controlled to be mentioned on all relevant documents, information to be provided the local authorities' auditors and members and matters affecting directors regarding remuneration and disqualification.

- 1.8 The proposals for the Council to provide financial support to the Company by way of a loan or facility need to satisfy state aid rules. EU law prohibits Member States from granting State aid that distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods insofar as it affects trade between Member States.
- 1.9 The concept of "aid" is extremely broad. It can cover direct financial measures (e.g. grants and subsidised loans), indirect financial measures (e.g. exemptions from payment obligations), guarantees and grants of security (where these enable the undertaking to obtain better credit terms than would otherwise have been available) and provision of assets or services at an undervalue or on preferential terms (including the sale of land).
- 1.10 However, where a public body acts on terms that would be acceptable to a private sector investor, this is not regarded as conferring an economic advantage, and therefore does not involve State aid. In these circumstances, the public body is said to be satisfying the Market Economy Investor Principle and the transaction concerned does not need to be notified to the Commission. In other words, the question is whether the Company has obtained an advantage that it could not have obtained on the private market.

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West Yorkshire Joint Services

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SECTION 1

1.1 INTRODUCTION

This document sets out the Business Case for the establishment of a local authority trading company (LATC) in respect of various services currently operated under the West Yorkshire Joint Services Committee. It is proposed to provide services to the private sector through a LATC and the Joint Committee will provide services to the LATC to enable it to do so.

This LATC will provide a vehicle for providing services initially in the following areas:

- Materials Testing Service
- Calibration Services
- Archaeological Services
- Business Hive

Other services may be provided in the future and each will be subject to a separate business case before that is implemented.

At this time, the LATC will provide a vehicle through which the Joint Committee can trade, and as such, the LATC will not employ staff, or require it's own management structure or overheads.

1.2 BACKGROUND

The Joint Committee is keen to generate additional income by trading its services to a wider private sector market. The services have been provided to the public sector, including the 5 Constituent authorities that make up WYJS, for many years and spare capacity has been sold to the private sector. The decrease in public funding has meant a reduction (gradual at first but considerably accelerated in recent years) in work commissioned into those areas by the public sector. At the same time, opportunities have arisen to increase the amount of work provided to the private sector. The extent of this is that it is now necessary to provide those services through a company vehicle if this balance of income is to continue and to satisfy legal obligations.

The powers and legal issues around this are detailed in the covering report.

Production and approval of a Business Case is a requirement of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 and the Guidance developed by central Government for the establishment of such companies by Local Authorities. This document sets out the business case for the Holding Company and each of the Subsidiaries.

It is not proposed to put all the work of each of the service areas into the LATC. Services to the public sector will continue to be provided through the Joint Committee arrangements. Any private sector work will be provided through the

LATC with the Joint Committee providing services at a fully rechargeable commercial rate to the LATC.

1.3 Services to be provided

The proposed LATC will initially provide services in the following areas:

- Materials Testing Service
- Calibration Services
- Archaeological Services
- Business Hive

Services connected to the West Yorkshire Analytical Services may be provided in the future through the LATC but at present the balance of public and private sector work is such that the majority of it is public sector and can be provided through the Joint Committee.

1.4 GROUP IDENTITY

The current range of services has been provided in a group format for a number of years under the Joint Services banner. They are all supported from a central resources function that provides professional accountancy, human resources, governance and marketing and communications support. Central ICT support is provided by a service level agreement with Leeds City Council. Strategic direction is provided by the Strategic Leadership Team (SLT) who oversee the business and organisational direction of all services with the support from the Management Team working with the commercial managers in all three service areas.

Although the three scientific services (Materials Testing, Calibration Services and Archaeological Services) do not naturally sit together there are other synergies such as accreditation schemes (ISO9001 & ISO17025) which benefit from shared coordination. Each of the services also have links with the statutory services provided by the Joint Committee offering opportunities to promote the services on offer to a wider audience at little or no cost.

The backing of a larger organisation clearly has benefits in terms of being able to access expertise that would potentially prove more costly to access on an individual basis.

1.5 FINANCIAL INFORMATION

1.5.1 Set Up Costs

Initial set up costs of £100k have been factored into the financial forecasts and there is an anticipation that this will be funded by a loan between the Joint Committee and the trading company at the prevailing rate of interest. As some of those set up costs are already being incurred there may well also be a charge between the Joint Committee and the trading company and this will affect the profitability of the company in the initial months and impact upon any tax liability.

The set up costs include;

- Legal and tax advice
- Setting up the company
- Utilisation of Joint Committee officers (and those of the districts where appropriate)
- Banking, audit and accounting fees
- ICT costs (inc software)

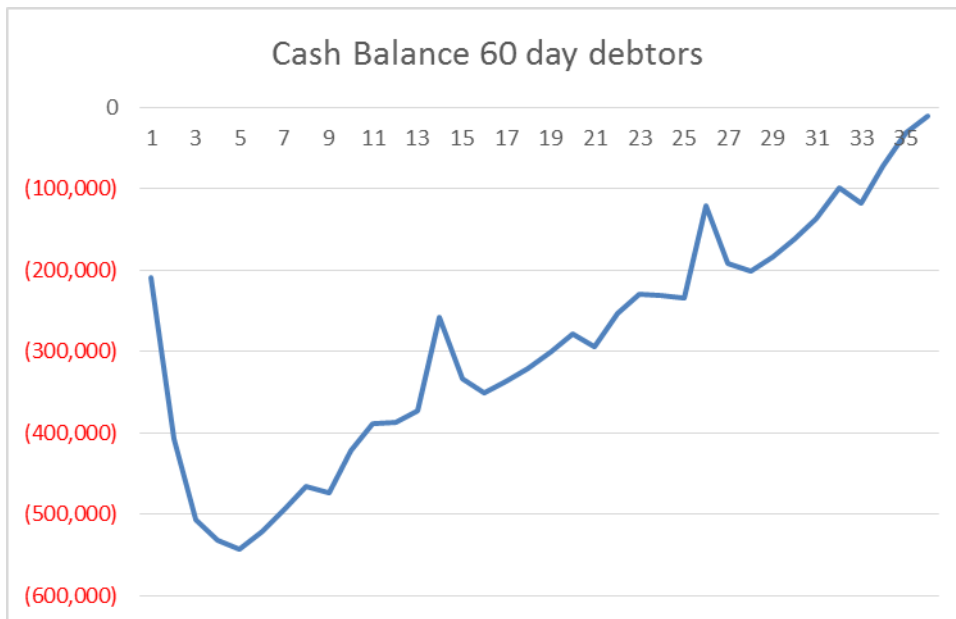
1.5.2 Consolidated budget

The consolidated budget for the services areas are set out below. Members should be aware that these differ from those previously presented in the WYJS budget strategy as they now include the set up costs referred to in paragraph 1.5.1. For simplicity the set up costs have been shared 3 ways across the three largest services with each service expected to incur £33k though the reality is that the actual split of costs will depend upon the specific requirements of each of the services.

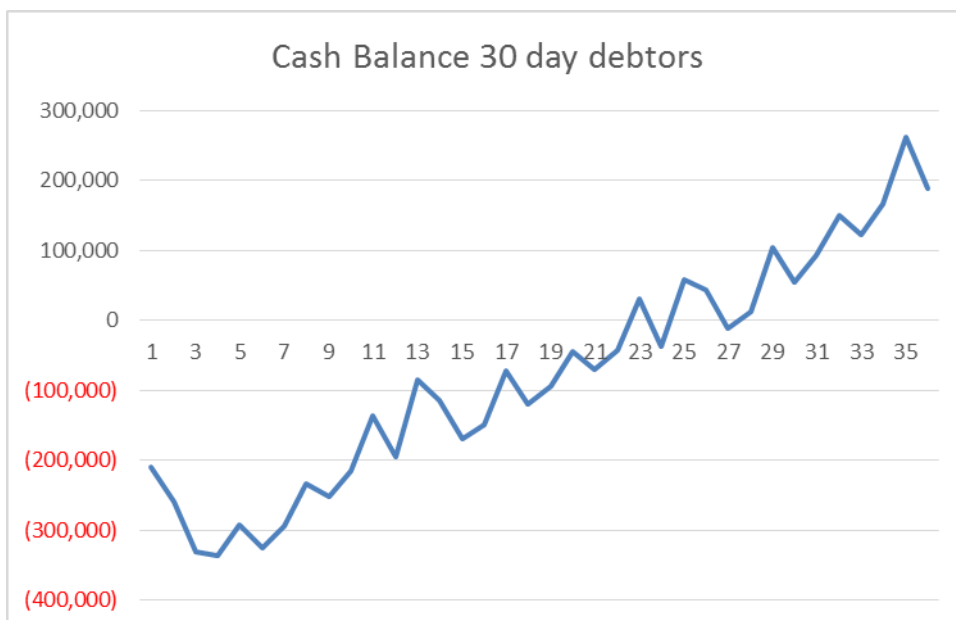
		2016/17	2017/18	2018/19	2019/20	Total
		<i>Actual</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	
Materials Testing Service	Expenditure	506,386	579,037	546,037	546,037	2,177,497
Calibration Services		605,015	576,311	543,474	543,642	2,268,441
Archaeological Services		871,272	915,900	908,114	1,009,276	3,704,562
Business Hive		-	70,000	70,000	70,000	210,000
Total Expenditure		1,982,673	2,141,248	2,067,625	2,168,955	8,360,500
Materials Testing Service	Revenue	612,499	678,900	678,900	678,900	2,649,199
Calibration Services		549,009	523,100	524,123	525,167	2,121,399
Archaeological Services		903,449	901,900	938,250	1,057,632	3,801,231
Business Hive		-	75,000	80,000	85,000	240,000
Total Income		2,064,957	2,178,900	2,221,273	2,346,699	8,811,829
Year end Deficit / (Surplus)		(82,284)	(37,652)	(153,648)	(177,744)	(451,329)

1.5.3 Consolidated Cash Flow and Working Capital Requirements

This business case recognises that the cash flow of the company will be a significant area of concern. Based on the existing experience of the trading of the Joint Committee i.e creditor payment terms of 30 days and average debtor days of 60 days, the following cash-flow requirements would be necessary. With an allowance for contingency this means a potential maximum requirement of up to £550k in period 5 of operation.



The trading company will seek to offer incentives to customers with the aim of bringing debtors days down to 30 days which would mean the cash requirement would reduce to a maximum of £340k as set out below. A credit control policy was implemented earlier this year that has generated some success in moving the average debtor days below 60 days.



In reality the cash flow requirement should not reach this limit as the Joint Committee will control the credit terms it offers the trading company, significantly impacting the monthly outgoings. During initial trading the Joint Committee will be able to influence the cash flows to support the trading company and minimise the necessity to seek external sources of finance which in any case would be difficult to achieve given the

limited trading history of the company. The working capital requirement will therefore be managed through a combination of loans from the Joint Committee/districts and management of the credit terms between the two bodies.

1.6 Risk Management

A general risk assessment has been undertaken to cover all areas proposed to be within the LATC group. Each area of growth has also been subjected to a separate risk assessment which is set out in more detail in the business plans. The projected income figures have been risk assessed using the following criteria:

- Level of control
- Is the expansion in known or new markets
- Level of investment required
- Level of competition in the sector

SECTION 2

MATERIALS TESTING SERVICE

2.1 BACKGROUND

A detailed business plan has been prepared for the West Yorkshire Materials Testing Service (WYMTS) and is available to members as a background paper. However, a summary of key issues is provided here for the benefit of the overall business case to establish a LATC.

2.1.1 Sector and Services provided

The testing of materials is the measurement of the behaviours and characteristics of certain materials under various conditions ensuring that material under test complies with the relevant legislation and is safe for use by consumers, trade and industry. Materials can be wide ranging from everyday items such as upholstered furniture for domestics and commercial use, protective personal equipment (PPE), plastics to colour fastness on apparel. Manufacturers of such materials have a legal requirement and/or duty to ensure that materials meet the required specifications, carry the appropriate certification for the country of use and are labelled correctly. In the main, WYMTS core areas are textile tests for flammability performance of textiles and associated physical testing. WYMTS also have expertise in the testing of polythene film products, particularly sacks and bags for domestic, trade, garden disposal, and the disposal of clinical waste.

In 2008 the service was expanded to include PPE which has grown into a valuable area of the business. During 2015 this work dipped due to imminent changes in the PPE regulations which has led to customers deferring testing until the new standard is in place (expected in 2016). This situation is being monitored closely and although some of it has recovered it is not at previous levels. What it has demonstrated is that the work can be cyclical and understanding of the market is clearly important in managing the risks associated with trading.

WYMTS has a varied customer base which includes a range of international clients. The range of services can be summarised as follows:



2.2 SWOT ANALYSIS

The strengths, weaknesses, opportunities and threats of the business are summarised in the table below:

Strengths	Weaknesses
<ul style="list-style-type: none"> • A long standing reputation built on expertise and integrity via good client relations and knowledgeable experienced staff; • Value added consultancy, guidance and support on appropriate testing and results; • Client visits to laboratory to view facilitates and observe analysis; • Association with West Yorkshire Trading Standards, unbiased approach to analysis; • Fast turnaround upon request; • Expert witness available if required. • Staff members who sit on the committees of governing bodies 	<ul style="list-style-type: none"> • Time taken to train new staff in in highly demanded test methods; • Turnarounds suffer when training needs to take place; • Lack of staff cover on a number of tests split across sub groups for holidays, sickness and general leave; long term staff sickness. • Unable to compete on quick turnaround times for specific sectors e.g. apparel/clothing; • Clients becoming more price sensitive, time bound and knowledgeable on testing; • A number of tests are loss leaders

	<ul style="list-style-type: none"> • ICT Infrastructure still needs improving following the move to the new service provider; •
<p>Opportunities</p> <ul style="list-style-type: none"> • Greater use of IT on certain tests to increase turnaround; • New online activity and website should drive traffic; • New equipment installed has increased Hi Vis testing; • Increasing abrasion testing capacity could lead to additional income; • Extending PPE offering once new equipment (charge decay) is commissioned; • Opportunities in aircraft and automotive sectors could provide new income streams; • Increased capacity in flammability testing e.g. mattresses and seating. 	<p>Threats</p> <ul style="list-style-type: none"> • Potential reductions in income generation from: <ul style="list-style-type: none"> changes in cigarette & match testing; growing amount of internal checks and auditing; change in usage of plastics sacks/bags by LA; • Staff turnover; • Lack of local authority funding (trading stds); • Some equipment is coming to the end of its useful economic life Changes in legislation may leading to new technologies and therefore new equipment.

2.3 PEST ANALYSIS

Carrying out a pest analysis provides an insight into market attractiveness and highlights key areas in the macro environment.

<p>Political</p> <ul style="list-style-type: none"> • Government policy around budget strategies impacting local authorities and therefore the requirements of WYJS and committee members. • Freedom to trade under a subsidiary would elevate any current trading restrictions. However may result in taxation issues. • Changes in current legislation relating to labelling, fibre content, Country of Origin, care instructions and flammability: Textile and Clothing (EU) No. 1007/200, Furniture and Furnishings (fire safety) Regulations 2010; • The impact of Brexit will impact on the services provided as some of this e.g. PPE Testing is based on EU legislation. <p>Note: changes in PPE are happening in April 2017 will mean additional accreditation is required, it is also likely to present an opportunity as existing product certs will not be compliant.</p>	<p>Economical</p> <ul style="list-style-type: none"> • WYMTS trades internationally. Trading currency is sterling, however any change could impact on client spend and profitability. • Known economic challenges and pressures resulting in some organisations reviewing budgets and minimising testing if possible. • Industry cycles are experienced due to recurring testing/certification which are time bound (also has variation) • Different legislation between products for domestic use and commercial. • Economic issues around low level interest rates and impact on the nature of funding and/or capital borrowing requirements.
<p>Social</p> <ul style="list-style-type: none"> • Consumer trends are such that some customers are aware of legislation and safety issues, particularly for products used commercially and therefore seek reputable manufacturers. 	<p>Technological</p> <ul style="list-style-type: none"> • The rate of change is slow generally, the advancement in technology are around technical textiles - a high growth area as manufacturers strive to achieve better performance in abrasion, strength, weight

<ul style="list-style-type: none"> • Consumers for domestic or personal use are thought to be less aware or concerned and as a result buying behaviour can be more price sensitive. • Other demographics such as lifestyle choices and age are not generally of direct concern to WYMTS, changes in fashion and current media influences such as movies can result in an increase in product testing, mainly seen from a consumer safety perspective. 	<p>and protectiveness.</p> <ul style="list-style-type: none"> • Centres of excellence being developed which focusing on research and development as well as standard setting • Audit and costs of accreditation; • Financial implications of new equipment/ old equipment. Specialist nature of tests
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2.3.1 Measures to manage SWOT and PEST

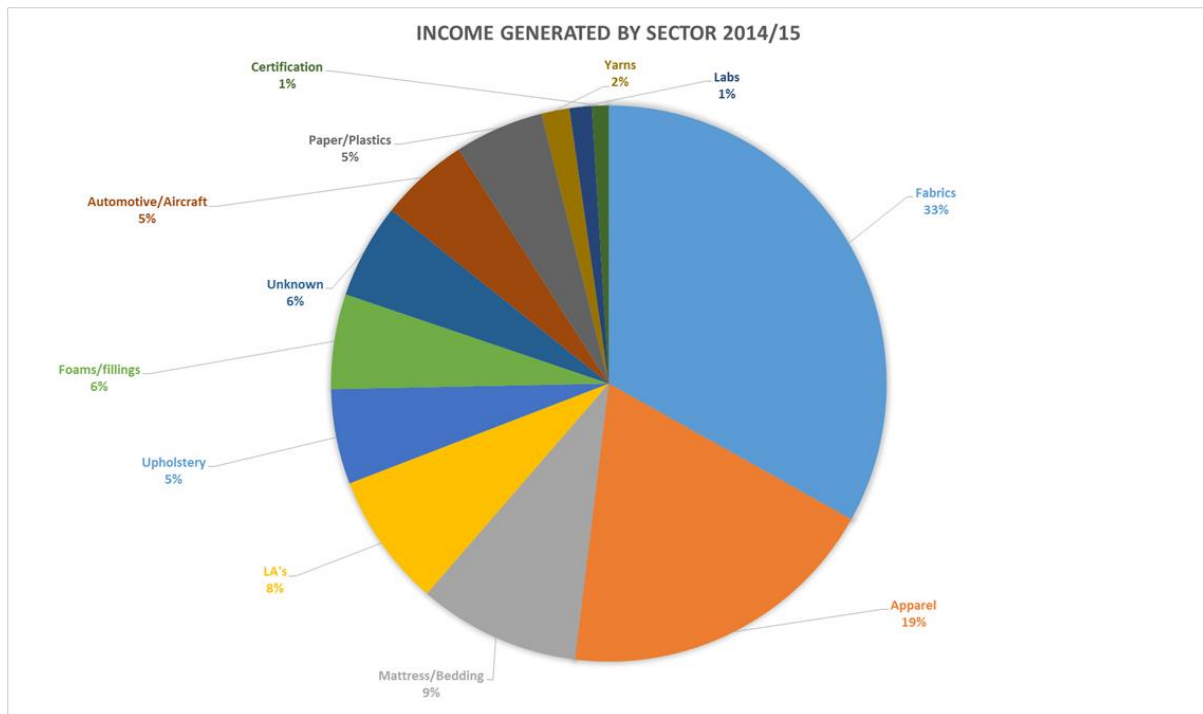
Protecting the reputation, relevant accreditations and retaining the association with West Yorkshire Trading Standards are fundamental to protecting this strengths of WYMTS, as is the achievement of the required turnaround times and maintenance and growth of existing levels of expertise.

Regulation, and changes in the political arena are areas that could influence business level decisions, particularly as imminent changes in legislation are likely to increase the demand for testing in PPE while conversely reducing demand for flammability (cigarette and match) testing. Whilst in some instances these issues are outside the control of the service, every effort is required to keep abreast of any developments and to approach them in a proactive manner.

Many of the existing team members are associated with various UK and EU associations who govern and set the industry standards meaning they are well placed to influence the sector and remain informed of changing priorities.

2.3.2 Target market and competitors

The current customer base is dominated by fabric and apparel manufacturers as identified below. All sectors are governed by EU directives for the European markets and, as a result, producers have a preference to have products tested by a UKAS accredited laboratory in the country of use.



The fabric sector is highly competitive with most textile firms manufacturing overseas (hence the reason for the global client base) as barriers to entry are much lower and industry clusters have been formed. Despite this, most of the design and sales remain in the UK and focus is increasingly drifting towards high value, design-led and knowledge intense products. Key areas in this sector for WYMTS are upholstery for the domestic and commercial furniture markets.

Testing in the apparel sector is mainly around aspects of personal protective clothing (PPE) using technical textiles, a term used in industry to describe textiles that fulfil technical requirements in order to better perform whereby manufacturing techniques seek innovation and versatility. A key area therefore is targeting the manufacturers of PPE apparel.

Markets where there are opportunities include the bedding sector (mattresses) and textiles used in automotive and aircraft interiors. Some work has been done to develop links with Huddersfield University who have a strong textile base, and some shared working is being developed, along with some access to a number of their partners/customers.

Generally, competitive rivalry is considered fairly strong and there is an abundance of other textile testing laboratories offering services at low prices and operating on fast turnaround times. Clients recognise that the work provided is in relation to a niche market where we provide technical expertise. Clients initially look for value for money, but often WYMTS find customers are willing to pay a premium rate for a fast turnaround time. Most of the textile laboratories compete across the board and offer very similar services resulting in the high level of competition. It is not uncommon for WYMTS to receive samples on occasions from its competitors when they are unable to carry out a particularly test.

2.3.3 Charging policy

The current pricing structure is historical and based on a market rate where annual price increases are applied to a rate schedule which in turn is submitted to all customers at the beginning of the financial year. A number of customers enjoy a discount, however this is only for bulk or frequent submissions.

Though this method could be considered a traditional approach, it has created customer loyalty, which is demonstrated by the top twenty highest value customers who continue to spend year on year. In instances where a decrease in submissions or spend takes place, the Service Manager seeks to rationalise any discount structures in place.

Work is ongoing to ensure that the pricing structure is reflective of the actual cost of testing and is appropriate given the overheads faced and the market conditions.

2.4 FINANCIAL PROJECTIONS

Individual financial forecasts have been compiled within the business plan which has since been subject to the revisions set out below. In summary, the last 3 years revenue and expenditure, plus the next 3 projected are as follows:

Materials Testing Service	2014/15	2015/16	2016/17		2017/18	2018/19	2019/20
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>		<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	<i>£,000</i>	<i>£,000</i>	<i>£,000</i>		<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Total Expenditure	525,131	518,202	506,386		579,037	546,037	546,037
Total Income	664,281	585,196	612,499		678,900	678,900	678,900
Contribution to/(from) reserves	63,750	(2,500)	-		-	-	-
Year End Deficit/(Surplus)	(75,400)	(69,494)	(106,113)		(99,863)	(132,863)	(132,863)

WYMTS has consistently contributed to JSC reserves, as evidenced above, and the financials for this service are based on a combination of analysis of historical trading figures and patterns, cost centre analysis and current staffing levels. Cash flow projections have been compiled and for WYMTS there is a maximum working capital requirement of £120k, (including shared set up costs of £33k).

2.4.1 Growth Projections

In addition to the forecast year end surplus or deficit growth plans have been developed in each of the commercial areas. The forecasts for WYMTS are supported by a tactical implementation plan that sets out the background to the markets and the strategies that will be employed to realise the growth potential including a detailed action plan that will be reviewed regularly to monitor progress.

2.4.2 Risk rating

The anticipated levels of growth have been assessed against risk criteria based on:

- Level of control
- A focus of re-connecting with customers
- The reliance on generating capacity through Business Process Re-engineering (BPR)
- Upskilling all Technologists and Technicians
- Level of competition in the sector

2.5 RESOURCE REQUIREMENTS AND INVESTMENT

Staff and equipment will be loaned by the JSC to the Company at full cost recovery rates to ensure that there are no state aid issues.

Equipment requirements are modest however there is equipment in the laboratory that is coming to the end of its economic useful life. There is demand to increase physical capacity in the Flammability Lab and recent investment of £1,500 has been made to install a new flowmeter. The growth targets included in this business case provides more details on where this increased flammability work will come from. Much of the investment requirements will depend upon how much new work is generated and whether any alternative working arrangements can be implemented to increase equipment utilisation. Some feasibility work has been undertaken to scope this out in terms of location and cost. If the company requires additional space, WYJS has vacant floor space that can be adapted to accommodate this additional demand. It is estimated that this work can be undertaken (at a cost of between £10-15k) and costs recharged to the company either as a one-off cost or on the basis of increased recharges over a fixed period of time. The exact nature of these transactions will depend upon the timing (i.e. pre or post creation of LATC) and other considerations such as cash flow and the tax position.

2.6 RISK REGISTER

Risk	Controls	Actions Required	Current Risk Assessment			Risk owner
			Probability	Impact	Overall Risk Score	
Availability of qualified and experienced staff following high turnover rate in recent years	A service review was undertaken during 2016/17 which implemented a new structure.	A skills matrix and review of the performance of staff is currently being undertaken to ensure that they are working at the correct level. Personal Development Plans (PDP's) are now being developed for all staff to ensure that sufficient training and opportunities are provided in support of the business strategy.	Medium	Medium	Medium	Materials Testing Manager
New legislation and standards	Managers participate in the UKTLF. BSIF & BSI Committees and are aware of legislative changes	Ensure that we are aware of potential changes in legislation via networking, speaking to customers or update we receive.	Low	High	Medium	Materials Testing Manager and Senior Technologist
Equipment is old and needs replacing	A capital programme is in place and	A review of current equipment needs to be undertaken to assess asset	Medium	Medium	Medium	Materials Testing Manager

	funding is available through prudential borrowing	utilization and expected useful life. From this business cases for any items required need to be prepared.				
Competition within the sector.	Materials testing has a long standing and good reputation in the sector.	Continue to attend conferences, review website and marketing collateral and continue to develop links with customers and other stakeholders.	Medium	Medium	Medium	SLT and Materials Testing Manager

2.7 SUMMARY

The business plan for Materials Testing builds on a strong service which has grown consistently over recent years. Initially there must be a period of consolidation to ensure that this is sustainable, including recruitment and training of new staff as well as cross-skilling others.

Further market research needs to be undertaken, but there is evidence to show that further growth is feasible. Investment levels are reasonable as some equipment is currently running under capacity and new equipment needed is of a relatively modest cost. Workloads will be monitored as it is important to recruit new staff at the right time if new work is to be secured and then delivered without impacting on performance.

SECTION 3

CALIBRATION SERVICES

3.1 BACKGROUND

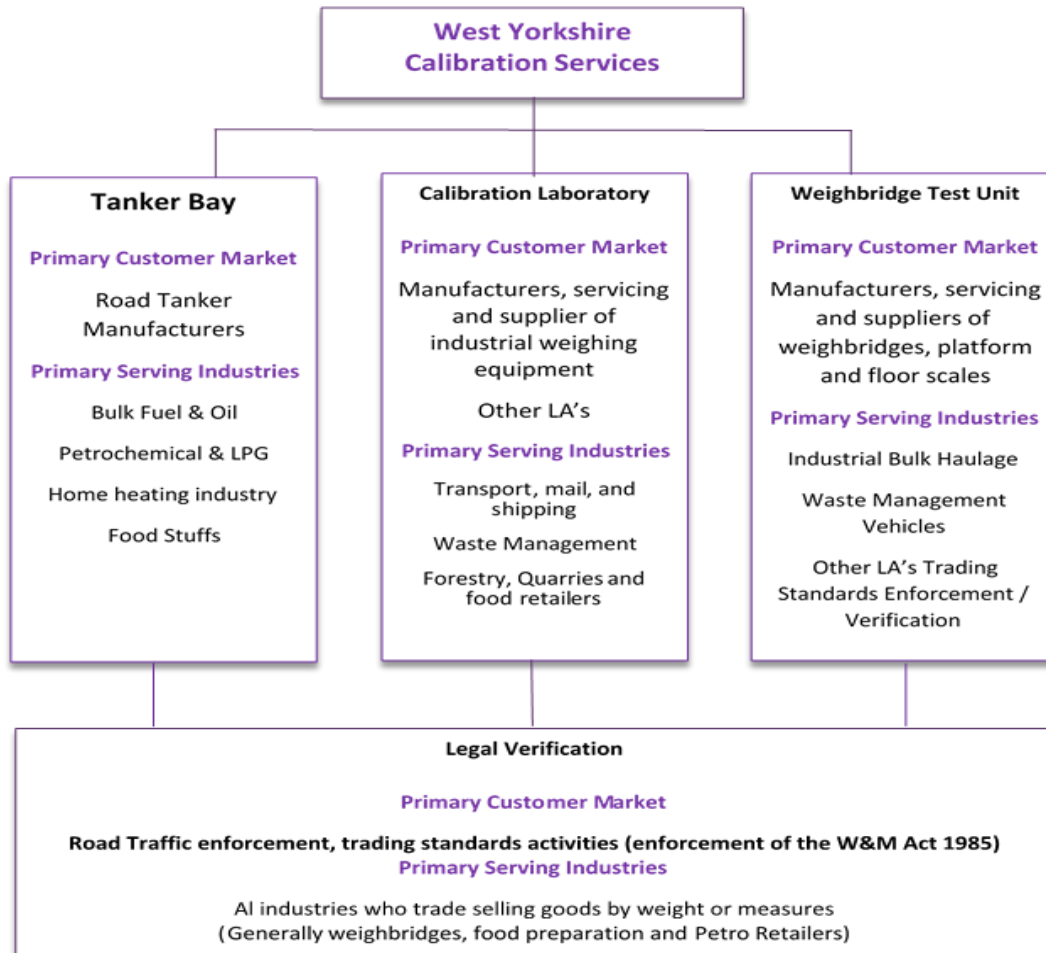
A detailed business plan has been prepared for the calibration service and is available to Members as a background paper. Similar to Materials Testing a summary of key issues is provided here for the benefit of the overall business case to establish a LATC.

3.1.1 Sector and Services Provided

West Yorkshire Trading Standards Calibration Services (WYCS) has evolved out of the Local Trading Standards Weight and Measures Authority function which is responsible for enforcing the provisions of the Weights and Measures Act 1985, and associated legislation. This Act contains provisions which permit such enforcement bodies undertaking and providing additional calibration and legal verification services for which fees can be levied.

WYCS operate in the weights and measures sector where industry relies on the use of many different weighing or measuring techniques in order to ensure that the mass, length or volume of the goods that they produce and supply are accurate and correct. The current legal framework lays down requirements for both the weights and measures equipment used for trade as well as goods sold by weights or measure. As such, the industry has a legal duty to make certain the accuracy, reliability and fairness of weights and measures confirming that the products being produced, sold and purchased are in the correct weight or measure.

The service offers a wide range of calibration and verification services to a local, national and international customer base. In addition, various pieces of specialist weighing or measuring equipment are made available for hire to industry. In summary the service offering is as follows:



3.2 SWOT ANALYSIS

The strengths, weaknesses, opportunities and threats of the business are summarised in the table below:

<p>Strengths</p> <ul style="list-style-type: none"> • Asset rich laboratory with a wide scope UKAS approval for mass calibration • Distance of comparable LA calibration units • Association with Trading Standards and local authorities • Connections with Regional Notified Bodies and Notified Body Status (MID) for Tanker Bay and Legal Verification • Association and influences at a national level with industry and government bodies. • Breadth of knowledge and experience of staff. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Slow/subdued economic growth, change in government, continued austerity • Squeezing profits and challenges for suppliers to the supermarket chains • Demands on cheaper methods of mail and shipping sectors • Large number of fragmented sectors requiring calibration resulting in weak distribution channels 'all things to all people'
<p>Opportunities</p> <ul style="list-style-type: none"> • Change in government, increased infrastructure projects resulting in heightened activity in construction, bulk 	<p>Threats</p> <ul style="list-style-type: none"> • Changes in associated legislation for W&M or scope that WYCS can cover, any deregulation by changes in government

<ul style="list-style-type: none"> haulage etc. Increased forward orders for tankers in bulk fuel. Acquisition activity within customer base, opportunity to explore chemical and food tankers Innovation in supermarkets in self checkout systems Innovation in petrol forecourts 'pay at pump' service National research e.g. milk collections Advances in technology could provide new areas of work, i.e. On-board weight systems Other changes in legislation in indirect industries e.g. SOLAS. 	<p>policy around W&M</p> <ul style="list-style-type: none"> Customers with global operations at risk of changes in UK and European subsidiaries Mild winters reducing demand for home fuel and oil. Increasing/decreasing fuel prices, PWC reports the number of HGV on the roads is declining Any changes on legislation in indirect industries Brexit and impact on EU Regulation and enforcement remit.
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3.3 PEST ANALYSIS

As in most cases completing a pest analysis has identified key areas in the macro environment that may impact on business decisions, and sets out market attractiveness:

<p>Political</p> <ul style="list-style-type: none"> Government policy around budget strategies impacting local authorities and therefore the requirements of WYJS and committee members; Freedom to trade under a subsidiary would elevate any current trading restrictions, however may result in taxation issues; Changes in current legislation relating to: MID – This directive was replaced in April 2015 with a new Directive 2014/32/EU impacting on how a range of equipment types are tested; Non-Automatic Weighing Instruments Directive was replaced in April 2016 with the new Directive 2014/31/EU Political moves regarding the review of enforcement around weights and measures. 	<p>Economical</p> <ul style="list-style-type: none"> Known economic challenges and pressures resulting in some organisations reviewing budgets and minimising testing if possible; Industry cycles are experienced due to the recurring testing/certification which are time bound but are more related to the date of original calibration or install rather than seasonal aspects such as weather forces; However, particularly harsh or mild winters do affect the customers operating in the gas and oil sectors, in turn impacting on the tanker calibration bay in either increasing or decreasing demand of new tanker orders; Economic issues around interest rates and borrowing are relatively low level due to the nature of funding and/or prudential borrowing from the authorities.
<p>Social</p> <ul style="list-style-type: none"> Demographics of consumers do not have a direct impact on the service in general terms. However, some changes in buying behavior's may impact eventually. E.g. demand for self service weighing machines increasing orders from WYCS customers who operate in the retail weighing machine sector. 	<p>Technological</p> <ul style="list-style-type: none"> Though equipment in this sector is technologically advanced, WYCS do not generally experience challenges in innovation; Developments in calibration equipment by scale manufacturers as result of market forces require new test methods to be

<ul style="list-style-type: none"> • In the main, consumers who are the end beneficiaries of the W&M Act are not always aware of finer detail around legislation but act if they feel goods are not being weighed or measured correctly, particularly where it impacts on pricing. • Retailers, self verifiers, other calibrators and those who buy and sell in weight, volume and measure are more likely to be aware of legislation, and any changes could change their buying patterns • Similar to WYMTS other demographics such as lifestyle choices and age are not generally of concern. 	<p>established.</p> <ul style="list-style-type: none"> • Advancements in industry and alternative uses to existing equipment influence how the service would be able to test and verify certain pieces of equipment. • Short of diversifying into other areas of specialist calibration (e.g LPG tankers, pressure gauges), and test methods are established technological advances are slow in the main.
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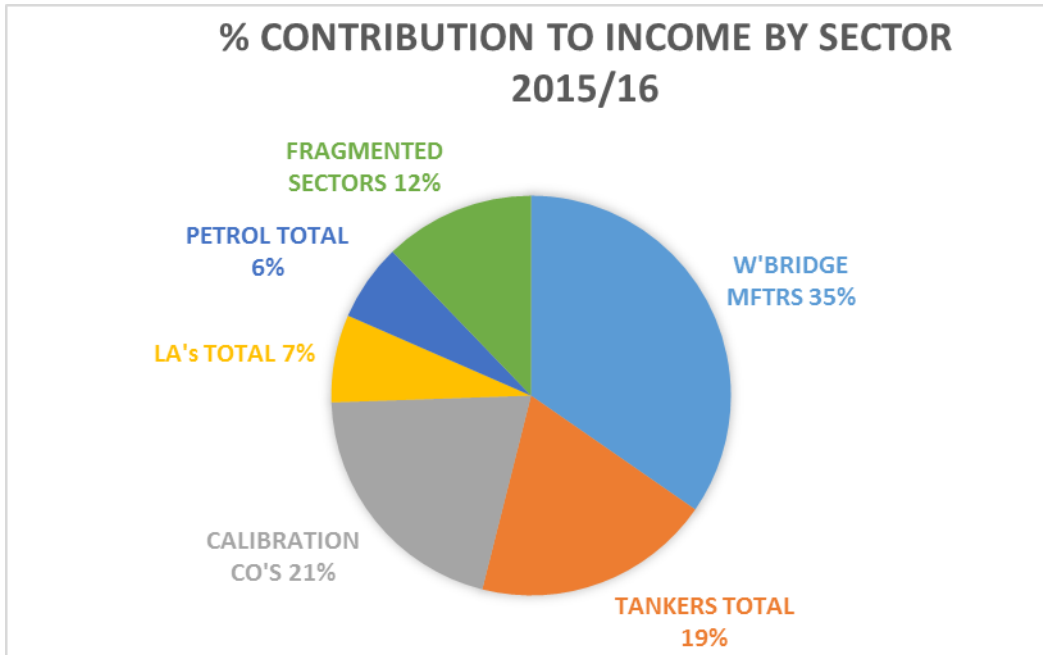
3.3.1 Measures to manage SWOT and PEST

The introduction of self-verifiers some years ago has been the greatest threat in recent times. WYCS customers also have a high regard for the level of experience and expertise of staff. Increasing capacity is an area high on the agenda in terms of developing the business from a weakness to an opportunity and then strength. Some of the challenges in capacity are linked to customer demand, however others relate to manual methods in internal processes. Plans are being developed to implement a service database to remove duplication and bottlenecks and generally improve the performance by providing accurate and timely management information.

The service has adapted to the Measuring Instruments Directive (MID) that came into force in April 2016 it affects how a range of equipment is tested and the status of the notified body that WYCS operates under. The Service Manager sits on the UK expert panel of weights and measures who's role it is to deal with any technical issues for local authorities providing guidance and advice on matter arising. In addition, the panel is at the forefront of reviewing implications of any forthcoming changes in legislation or standards that could affect the testing of weighing and measuring equipment.

3.3.2 Target market and competitor analysis

Business analysis has identified that most of the weights and measures that pass through the laboratories are from other organisations or private companies who also operate in the calibration sector, therefore classifying WYCS as a servicer to the calibration trade and an enforcer of the Weights and Measures Act 1985 through legal verification work. This has remained consistent over the past five years.



Competition in the calibration sector varies depending on the area of metrological work being examined. Equally, as the current customer base is made up of other calibration firms, the direct competition narrows somewhat. As one of the main customer requirements is a UKAS accredited lab associated with the local enforcer of the Weights and Measures Act, a sample of direct competitors has been identified and analysed for each of the sub groups. This includes a number of local authority trading standards services and a small group of private businesses used as a comparison to WYCS.

Within the calibration laboratory the largest area of work is the calibration of weights of varying accuracy and size. Competitor analysis showed that the National Measurement Office (NMO) is the only lab whose UKAS scope exceeds that of WYCS. Kent, Tyne & Wear and Norfolk have some scope for M1, E2 and E1 weights, however, these mass values are not considered to be of any significant value and demand for these is low. In comparison to the number of working standards laboratories (LA's for mass and volume) WYCS is well placed for scope and has an advantage over many of the competitors.

Some private companies have limited scope and, with the exception of high mass, only European Instruments holds the same scope as WYCS.

Only Kent and NMO are UKAS accredited for high mass calibrations the same as WYCS. It is understood that WYCS are the only facility whereby a full set of high mass weights (typically the weighbridge test unit) can be stored within the test laboratory facilitating a faster turn around time.

The business analysis process has identified several areas where WYCS has gained competitive advantage in a number of sub group areas, as listed below:

- The breadth of scope as a UKAS accredited laboratory
- The customer added value of being integral to Trading Standards
- Notified Body Approval for Yorkshire and Humber (MID)
- Only LA with authorised personal to undertake initial MID verification in bulk fuel measuring systems for the Yorkshire & Humber Notified Body.
- Geographical location for both the tanker bay and WBTU.
- The ability to provide a one stop shop and initial verification service for all makes and models of tankers

3.3.3 Charging Policy

For some years WYCS has had a pricing strategy that is a) an incremental annual price increase (generally 2%) and b) arrived at by using recommended rates that were historically taken from the LACORS (Local Authority Coordinating Body for Regulatory Services) guide, which has now been superseded by the Association of Chief Trading Standards Officers guide, based on an hourly rate.

In terms of price setting for the industry this appears to be driven by individual operators rather than market forces and that is to be expected in low value commodities or where high levels of competition exist. WYCS seeks to adopt a pricing strategy that is built on a value proposition.

Work is ongoing to ensure that the pricing structure reflects the actual cost of testing including overheads and market conditions.

3.4 FINANCIAL PROJECTIONS

Individual financial forecasts have been compiled within the business plan for WYCS which was drafted in 2015/16. A review of all growth targets has recently taken place resulting in the latest forecasts for the current and following three years:

Calibration Services	2014/15	2015/16	2016/17		2017/18	2018/19	2019/20
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>		<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	£,000	£,000	£,000		£,000	£,000	£,000
Total Expenditure	526,817	516,629	605,015		576,311	543,474	543,642
Total Income	432,841	454,744	549,009		523,100	524,123	525,167
Contribution to/(from) reserves	-	-	-		-	-	-
Year End Deficit/(Surplus)	93,976	61,885	56,006		53,211	19,351	18,475

Until recently WYCS was a subset of the West Yorkshire Trading Standards Service and as such a separate cost centre analysis is not provided for years previous to 2014/15. Income levels have been reasonably static over a number of years and in

preparing future forecasts much work has been done around the level of resources required to service the income. Financial performance in the current year is encouraging and the latest information is available in monitoring reports to the Joint Committee.

It should be noted that the financial figures above exclude the district funding (currently £65k) received to offset expenditure in relation to statutory duties including legal verification services.

Cash flow projections have been compiled and for WYCS there is a maximum working capital requirement of £185k, (including shared set up costs of £33k).

3.4.1 Growth Projections

The growth forecasts for WYCS are supported by a tactical implementation plan that sets out the background to the markets and the strategies that will be employed to realise the growth potential including a detailed action plan that will be reviewed regularly to monitor progress.

3.4.2 Risk rating

However, as with Materials Testing, the anticipated levels of growth have been assessed against risk criteria based on:

- Level of control
- Further work required for proof of concept on the PAC schemes
- Is the expansion in known or new markets
- Level of investment required
- Time and route to market
- Any existing offerings and competition in the sector

3.5 RESOURCE REQUIREMENT & INVESTMENT

Business cases have been approved for the acquisition of a new WBTU trailer and 2 mass comparators to replace aged and failing existing equipment. Although there are no other imminent areas of significant investment, the WYJS capital programme has highlighted a number of other ageing pieces of equipment that may require replacement in the medium term. As with the other services the exact nature of any investment transactions would depend upon cash flow requirements and the tax position.

3.6 RISK REGISTER

Risk	Controls	Actions Required	Current Risk Assessment			Risk owner
			Probability	Impact	Overall Risk Score	
Reliance in some areas on a few main customers	Responsive and flexible to our customers' requirements	Ongoing conversations with customers, regular meetings, review existing terms and consider longer term agreements and added value to tie customers in.	Med	Med	Med	Metrology Manager
Changes to legislation can impact disproportionately on income and in the longer term there are likely to be some reforms as a result of Brexit.	Participate in national forums to ensure we are aware of changes in advance	Review the market and any further legislative changes.	Med	Med	Med	SLT and Metrology Manager
Equipment in some cases is very expensive eg WBTU	Capital programme is in place.	Review existing assets and utilisation rates. Prepare a list of what requires replacing linked to business cases and resourcing through reserves and prudential borrowing.	Med	High	High	Metrology Manager

Areas identified for growth are largely private sector and not ones where we have much experience	Business plan and tactical implementation plan are now in place showing areas where we need to grow.	A marketing and communications manager post will provide some support and expertise to penetrate new markets.	Med	High	High	Metrology Manager & SLT
Current review of TS nationally could lead to changes around delivery responsibility for metrology services	Senior officers are discussing implications with relevant government departments.	Ongoing consultation and ensuring that we are aware of developments.	High	Med	High	SLT and Metrology Manager
Inefficiencies and duplication of effort due to the manual system for booking jobs.	Minimal at present.	Procurement of a CRM system to be considered as part of the ICT strategy.	High	Med	High	SLT and Metrology Manager
A new qualification framework is under consideration which could impact on the ease in which the service can recruit. train qualified officers in the future	Ensure that we are fully aware of the proposed changes and engage with any opportunities to influence the outcome	Continue to monitor and engage with CTSI during the consultation and implementation of the new qualification framework	Med	Med	Med	SLT and Metrology Manager

3.7 SUMMARY

This service grew out of statutory legal metrology but the business plan shows that the private sector values the services provided by WYCS and the connection with the regulatory service. The added value of WYCS is the range of services it provides, its physical location and the expertise of the staff involved. The range of services and expertise must be protected through careful monitoring of budgets, staff training, monitoring of markets and close working relationships with customers. If this is achieved, then there is exciting potential to deliver growth.

The financial projections are based on ambitious growth plans underpinned with a stable primary level of income derived from historical revenue streams. Last financial year (15/16) the service was reviewed and a new organisational structure was implemented. This has proved successful to date as the service has seen an improvement in operational management, attracted some new clients and reviewed others in terms of service level agreements.

Whilst the service is currently delivering a surplus, looking forward a positive financial return is heavily dependent on extra capacity being gained through various 'Business Process Re-engineering' improvements, some of which have already been undertaken and some of which still need to be implemented using IT to gain efficiencies.

It is also anticipated that in order to meet its growth plans over the three year period a further review of staffing resources will need to be considered. The nature of much of the work brings particular issues around statutory qualifications and accreditation in a market place where attracting the right people is becoming increasingly difficult. Serious consideration will need to be given in addressing this issue should the current increase in work continue

SECTION 4

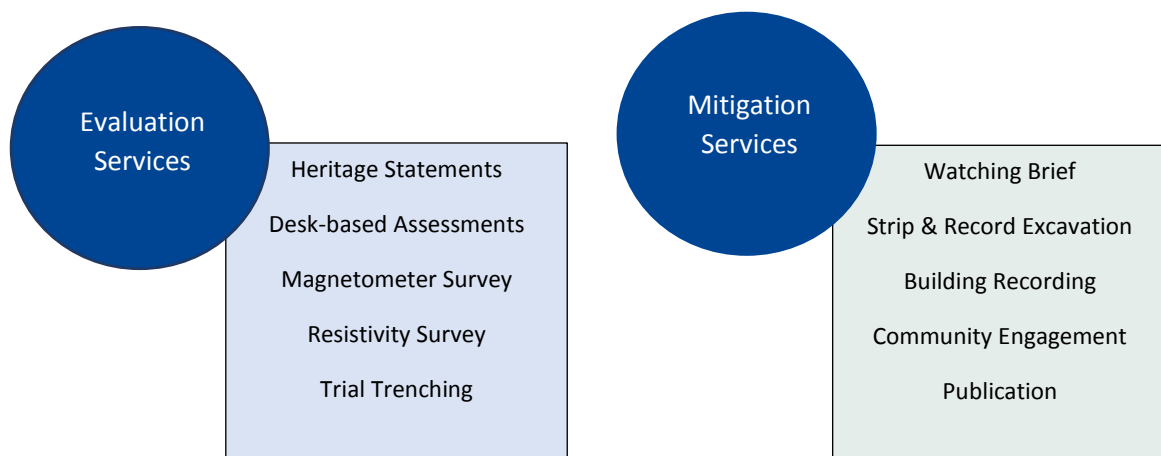
ARCHAEOLOGICAL SERVICES

4.1 BACKGROUND

As with the other services a comprehensive business plan has been developed for Archaeological Services (ASWYAS) and similarly is available to Members as a background paper. A summary of the key issues is provided here for the benefit of the overall business case to establish a LATC.

4.1.1 Sector & Services provided

The service provides both pre and post-planning services, commonly known within commercial archaeology as Evaluation Services, and Mitigation Services, as detailed below. Evaluation services determine the presence or absence of archaeological remains within a specific area, the results of which are usually required before a planning authority determines the application. Mitigation Services, which typically occur in response to a Local Authority brief, are designed to satisfy an archaeological condition attached to planning approval. In some cases it may be necessary for developers to commission archaeological work before development to evaluate the site, or during development to mitigate archaeological conditions, in accordance with the government guidance on the National Planning Policy Framework. If evaluation services have been carried out and the results are included in planning applications, it demonstrates to the local authority curator that archaeology has been considered pre-planning.



When a client employs one of the services noted above, with the exception of desk-based assessments, there is usually some kind of field work whereby a member of staff would visit the site and in its simplest form would carry out a number of activities to record and gather data relating to for archaeological features and deposits. These data sets are assessed, analysed and interpreted back at the office. Information is

then compiled into a report which is typically the final product presented to the client. Desk-based assessments, an office-based assessment of existing written, graphic, photographic and electronic information already recorded by ASWYAS or other organisations, such as local Historic Environment Record offices, archives and local studies libraries, are again presented in a report format to a client.

As ASWYAS operates in a commercial arena, clients are mainly other businesses, publicly managed or charitable organisations. By definition these customer groups are seeking value for money through competitive pricing, products and services that comply with the planning condition or conditions and are delivered in a timely manner. The ultimate aim from a client’s perspective is to have the condition signed off and the constraint lifted allowing the next stage of the development to commence.

4.2 SWOT ANALYSIS

The strengths, weaknesses, opportunities and threats of the business are summarised in the table below:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Established long standing service with a well-regarded reputation. • Specialist knowledge and skills. • A wide range of services. • Established contractor. • Strong links and involvement in local sites (Kirkstall Abbey & Pontefract Castle). • Flexible and adaptable service to clients. • Flexible workforce with ability to reach most locations nationwide. • Registered Organisation of Chartered Institute of Archaeologists. • Contractors Health & Safety Assessment (CHAS) accredited. • Specialist equipment e.g. Cart Based Magnetometer. • Growing public profile & social media presence. • Marketing plan and business development in place. • Embracing new ways of doing things through BPR. • Fast turnaround of post excavation analysis and reporting to clients. • Willing staff able to cross skill to get the job done. • Commended by our clients for prompt and timely communications. 	<ul style="list-style-type: none"> • Generally a low paid career with few opportunities for career progression. • Recruitment from a small pool of professionals. • Little knowledge of current operating position of competitors. • Small customer base although work is ongoing to expand this. • Lack of CRM system to facilitate customer analysis and client liaison. • Insufficient scrutiny of profitability (related to data accessibility issues).

<p>Opportunities</p> <ul style="list-style-type: none"> • To expand public profile. • To establish a greater understanding of customer needs. • Market services in new areas. • To understand direct competitors and monitor where possible. • BPR, making use of technology. • Make use of social media as a PR tool. • Closer relationships with clients provide opportunities to procure work by making minor price adjustments, or reacting more quickly than our competitors. 	<p>Threats</p> <ul style="list-style-type: none"> • Sometimes undercut by competitors. • Economic/political uncertainties – Brexit. • Turnover of staff seeking better paid / better career prospects and an inability to recruit well-qualified replacements. • Tendering with no allowance for unforeseen circumstances. • Very physical job, puts pressure on staff. • HERs not having time to put constraints on planning conditions on every project that needs one due to shortage of staff (i.e. only applications of significance are reviewed). • Changes in any planning legislation.
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4.3 PEST ANALYSIS

As in all cases completing a pest analysis has identified key areas in the macro environment that may impact on business decisions, and sets out market attractiveness:

<p>Political</p> <ul style="list-style-type: none"> • May 2016 Queen’s Speech “archaeology is responsible for unnecessary delays to housing development”. • Affordable housing schemes and government funded help to buy schemes have been extended by another year. • The New Homes Bonus ends 2016/17. • Brexit uncertainty surrounding large infrastructure projects. • Propaganda around the HS2. • Deepening cuts in local authority budgets. • Changes in political leadership, affecting WYJS on a regional level. 	<p>Economical</p> <ul style="list-style-type: none"> • UK economy grew by 2.2% in 2015, and the construction industry grew by 3%. • There are signs of economic improvement. Brexit has delayed only one of our projects to date. • Projected growth for 2017 of 3.4% • The housing, commercial and civil engineering sectors all showed signs of accelerating growth; • House prices have risen by an average of 9.5% in 2015/16, but are predicted to fall in 2017/18. • Lending to commercial and residential markets impacts on land development.
<p>Social</p> <ul style="list-style-type: none"> • Unemployment at an all time low, with construction industries struggling to recruit. • Increasing ‘competition’ for volunteers. • Wages increase by 2.9% 2015/16. • Ageing population and development of retirement villages predicted. • First time buyers were at record low in 2015, 8 out of 10 require financial assistance from family. • The housing demand and changes to 	<p>Technological</p> <ul style="list-style-type: none"> • As the dependence upon IT increases so has the advances in technology not only from an industry perspective but from a heritage perspective. • The use of social media as a tool to reach sector professionals and heritage interest groups. • Video streams and cameras of live archaeological sites. • Equipment quickly being overtaken by advances in technology. • The use of new technology to reduce staff time.

<p>buying patterns.</p> <ul style="list-style-type: none"> • Increased knowledge and understanding of heritage as a CSR tool, generating PR. 	
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4.3.1 Measures to manage SWOT and PEST

In the SWOT analysis, weakness are being addressed through operational changes as a result of a staffing restructure and a reduction in the office space used by ASWYAS. Turnaround times and staff morale have seen a significant improvement as a series of formal and informal training sessions continue to ensure that all staff have reporting expertise. Upskilling on software applications has taken place and generally a culture of being more proactive and being a forward thinking service is emerging.

Regular communications and one to one client meetings have taken place. Re-engaging with various client groups has helped in understanding their needs as well as gathering market intelligence. A monthly review of client communications has been established.

ASWYAS now have a social media presence with a growing number of followers. Training has been undertaken to help effective communication with clients and to aid recruitment.

In addition, links with Bradford University, Sheffield University, York and Leeds University are being formed to keep abreast of sector developments as well as forging relations with potential employees of the future. We have recruited casual or core staff from all four universities over the last year.

4.3.2 Target markets and competitor analysis

Competition in the commercial archaeology market is considered to be strong, with competitors selling at low price points. Some comment that this has a significant effect on the quality of the end product, while others would argue that this is a misnomer, as clients are generally looking for value for money. Developers in a commercial setting are forced into employing ASWYAS' services as a direct result of an archaeological condition and therefore price is their main driver, whereas other client groups such as consultants or curators have an interest in the quality of the field work and reports, yet they can be non-paying stakeholders.

Internally ASWYAS has conducted market research compiling information on direct competitors with data gathered from the tender schedule and from conversations with the South Yorkshire & West Yorkshire curators, the Archaeology Data Service

website and online research. This suggests that there are three main competitors operating in this region all offering something a bit different to each other and to ASWYAS. The limited feedback received from customers and analysis of tenders won by ASWYAS shows there is not a lot of difference on prices and quality. Often a determining factor is the availability to start within tight timescales.

This is largely why the staffing structure has been developed into small teams, based on operational fieldwork, with staff who are able to move between geophysical and excavation services to maximise utilisation and be able to meet customer deadlines. As work increases, it will be relatively easy to replicate these modular teams to take on extra work at minimal cost as the overall management structure and overheads will remain largely unchanged.

4.3.3 Charging Policy

In terms of price setting, this is driven by market conditions and in response to tender submissions.

4.4 FINANCIAL PROJECTIONS

Financial forecasts for ASWYAS have also been compiled during the business planning process. In summary, the last 3 years revenue and expenditure, plus the next 3 projected are as follows:

Archaeological Services	2014/15	2015/16	2016/17		2017/18	2018/19	2019/20
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>		<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	£,000	£,000	£,000		£,000	£,000	£,000
Total Expenditure	1,275,004	792,220	871,272		915,900	908,114	1,009,276
Total Income	961,807	752,941	901,649		900,000	936,350	1,055,732
Contribution to/(from) reserves	(1,750)	(1,800)	(1,800)		(1,900)	(1,900)	(1,900)
Year End Deficit/(Surplus)	311,447	37,479	(32,177)		14,000	(30,137)	(48,356)

Cash flow projections have been compiled and for ASWYAS there is a working capital requirement of £260k (including shared set up costs of £33k).

4.4.1 Growth Projections

The growth forecasts for ASWYAS are supported by a tactical implementation plan that sets out the background to the markets and the strategies that will be employed to realise the growth potential including a detailed action plan that will be reviewed regularly to monitor progress.

4.4.2 Risk rating

However, as with the other commercial areas, the anticipated levels of growth have been assessed against risk criteria based on:

- Level of control
- Is the expansion in known or new markets

- Level of investment required
- Level of competition in the sector

4.5 RESOURCES REQUIRED AND INVESTMENT

The service does use equipment which needs to be maintained and replaced. The business plan does allow for replacement of some equipment, particularly GPS as work levels increase, and , under current plans, these will be purchased by the Joint Committee and recharged either as a one-off cost or as part of the overhead on recharges over a set period. In relation to the growth plans, investment of £32k is required to support the plans in year 2018/19 (funded via prudential borrowing). Interest and repayment over three years is included in the financial forecasts.

The exact nature of any investment transactions will depend upon the timing (i.e. pre or post creation of LATC) and other considerations such as cash flow and the tax position. The capital programme allows for replacement of existing technology over the medium term.

4.6 RISK REGISTER

Risk	Controls	Actions Required	Current Risk Assessment			Risk owner
			Probability	Impact	Overall Risk Score	
ASWYAS is heavily dependent on economic growth within the construction sector as it is currently the main source of work. Uncertainty has grown recently due to Brexit	Managers keep a close eye on the sector and monitor development and tender opportunities.	Ongoing review, participate in networking events, regular communication with the industry and other colleagues.	High	High	High	ASWYAS Manager
Reduction in staffing in many Councils in those managing the Historic Environment Record and monitoring planning applications – if this reduces further and less planning conditions are attached then it follows that work will reduce	To continue to review planning applications and investigate trends.	To monitor the position with other HERs and report to SLT when the information is available.	High	High	High	SLT and ASWYAS Manager
Loss of skilled and experienced staff and inability to replace them quickly.	Monitoring the market place and adapting accordingly.	Implementation of people strategy.	Med	High	High	SLT & ASWYAS Manager

4.7 SUMMARY

This service will always be subject to market conditions which can be very volatile. However, the medium term future (3-5 years) is looking encouraging. There is confidence in the construction industry, particularly in house building and the construction of HS2 will provide many opportunities. There is a shortage in supply of archaeologically trained staff, so there should be work for all companies currently in the market.

This leads to other issues around staff recruitment and retention and managing workloads against staffing availability. The service manager has worked hard to develop a network of casual staff who, largely due to their personal circumstances, prefer to work on a casual basis. Effort is being made to keep them loyal to ASWYAS. Developing links to universities to work with soon to be graduates entering the job market is also on the services' agenda.

SECTION 5

THE BUSINESS HIVE

5.1 BACKGROUND

Since the original business case was drafted, a further service has been considered for inclusion in the trading company set up – The Business Hive. This is essentially a project to utilise additional capacity on the WYJS site through the selling of training and meeting room facilities to the public and private sector. As a relatively new service the information contained within this business case is currently in summary format but will be developed and supported by a marketing strategy with growth targets in the same way as the other services. The current plan is to utilise the trading company to operate the Business Hive in advance of transferring in the other services to enable a period of time to fully understand how the trading company operates. This strategy will allow the trading company operation structure to be set up and tested in a lower risk environment prior to transferring in additional services.

5.1.1 Sector & Services Provided

WYJS has had conference facilities on site for 15 years but these have largely been utilised internally or by partners and rarely offered or used on a commercial basis. The space has recently been renovated by Bradford Council utilising assets stripped from another Council site to make it fit for purpose.

The offices are close to large employment sites including Leeds 27 Industrial Park, Gildersome Spur and the Junction 27 Retail Park and is also well located in terms of motorway access with the M62 and M621 less than a mile from the site.

5.2 SWOT ANALYSIS

Strengths <ul style="list-style-type: none">• Close to motorway network• Recent investment to modernise facilities• Accommodation nearby• Existing links with a range of public and private sector organisations due to the other services offered on site.• New website• New technology (smartboards)	Weaknesses <ul style="list-style-type: none">• Poor public transport links.• Little knowledge of competitors or the sector in general.• Limited customer base.• Lack of CRM system to facilitate customer analysis and client liaison.• No on-line booking facility
Opportunities <ul style="list-style-type: none">• To market the service to existing contacts.• To market the service to local businesses and organisations that we do not currently	Threats <ul style="list-style-type: none">• Parking limitations.• Impact on business support team.• Security implications for site.

<p>have a relationship with.</p> <ul style="list-style-type: none"> • To develop flexible working arrangements for staff. • To further develop existing training packages for business. 	
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5.2.1 Measures to manage SWOT

In the SWOT analysis, the main weakness is that this is effectively a new service and new market meaning that it is not possible to use existing experience and knowledge of the sector to manage the risks. However, WYJS has recruited marketing expertise and increased capacity in this area to provide the greatest chance of success. WYJS also has the support of Bradford Council and their asset management team providing a wealth of knowledge and expertise in this area.

5.2.2 Target markets and competitors

Again, the information here is limited as the service offered is new but a strategy is being developed to target two strands of customer:

- Existing service users – Using existing knowledge and contacts the service can be marketed to customers of the other service areas as well as partners of the statutory functions.
- Local business – Marketing material has been prepared to distribute to 3,700 local businesses and the website has recently been re-launched and now incorporates a sub section dedicated to the Business Hive.

5.2.3 Charging Policy

A pricing structure has been drafted based around other prices offered locally for similar facilities. The pricing structure includes discounts for partners and multiple bookings as well as options for additional services such as catering. Each space is priced according to the number of delegates that can be accommodated and in the early stages of operating will be reviewed regularly to ensure they remain competitive and sufficient to cover costs.

5.3 FINANCIAL PROJECTIONS

The forecasts for the Business Hive are based on an assessment by Bradford Council that initially income of £70k could be generated if only 25% of the available capacity is utilised. Relatively modest increases in income have been factored into future years and these will be reviewed periodically. Cash flow projections have been

compiled and for the Hive there is a maximum working capital requirement of £7k.

Business Hive	2016/17		2017/18	2018/19	2019/20
	<i>Actual</i>		<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	<i>£,000</i>		<i>£,000</i>	<i>£,000</i>	<i>£,000</i>
Total Expenditure	-		70,000	70,000	70,000
Total Income	-		75,000	80,000	85,000
Contribution to/(from) reserves	-		-	-	-
Year End Deficit/(Surplus)	-		(5,000)	(10,000)	(15,000)

5.3.1 Growth Projections

As noted above, the growth projections are relatively modest initially due to the limited knowledge of the sector. It is anticipated that these will be re-visited regularly as the service gains traction and more information on the potential demand for the service becomes available.

5.4 RESOURCES REQUIRED AND INVESTMENT

The Business Hive has benefited from a recent refurbishment which should mean significant investment is not required for some time. However, if successful, there will be a resource demand to manage and administer the service that is expected to grow over time. This will need to be monitored in the early stages to ensure that it works effectively, is cost efficient and encourages repeat custom.

5.5 RISK REGISTER

Risk	Controls	Actions Required	Current Risk Assessment			Risk owner
			Prob	Impact	Overall Risk Score	
Limited sector knowledge limiting the chance of success	Utilise expertise of Marketing Account Manager and Bradford MDC	Regular review of progress	Med	High	High	SLT
Insufficient staffing capacity	Additional support in place	Review as demand increases	Med	Med	Med	Res Mgr

5.7 SUMMARY

As a new service the Business Hive will be subject to regular review with a focus on pricing, demand and capacity. It is anticipated that the financial forecasts will be amended once there is a period of experience to draw on. Despite the lack of information around the financial performance, the inclusion of the Business Hive in this business case is a key element of mitigating the risk of failure of the trading company.

SECTION 6

6.1 CRITICAL SUCCESS FACTORS COMMON TO ALL AREAS

A number of issues are critical to the success of all 3 areas which will establish trading companies - a practical action plan is required enabling management and the service manager to breakdown objectives, set gateways and milestones that recognise achievements and progress towards successful outcomes. Additionally if shared with staff, the full potential of these services is to be expected to be high as genuine income opportunities exist. In considering risk and critical success factors, a number of aspects already noted elsewhere in the business case are absolutely crucial to the successful implementation and growth. These can be headlined as:

- Continued support from Strategic Leadership Team and Senior Managers.
- Follow through implementation programme to the end.
- Achieve closer business relations with key customers, including those where sub groups are highly dependent.
- Effective and continued staff support by way of regular team briefing and knowledge sharing of organisational developments
- Timely and effective reporting of management information, ensuring reporting procedures are in place.
- Focus and pressure placed on a new system for managing the testing processes reducing paper based systems
- A robust action plan underpinning the growth models including tactical marketing activities.
- CRM system to facilitate client liaison and customer analysis within and across services.

6.2 REPORTING AND MONITORING

The reporting and monitoring of the growth strategies in all the areas are structured on the following basis:

Operational Level 1 – Daily Activities

Daily activities focussed on output and achieving key milestones from the tactical Implementation Plan. These are reported on a regular basis to the Head of Commercial and Resources and SLT through 121's and internal team meetings.

Operational Level 2 – Income/Opportunities

All quotations and tender opportunities logged by the Service Manager on a daily basis. Reviewed on a regular basis by the Head of Commercial and Resources and SLT through 121's and internal team meetings.

Operational Level 3 – Month End Reviews

Last day of each month the Head of Commercial and Resources will meet with each Service Manager to review performance, income, dashboard information and consider period ahead.

Operational Level 4 – Submit to Resources

Following OL3, any financial information will be submitted to Resources. The Resources Manager will prepare management accounts and liaise with human resources in preparation of the monthly business review. The Resources Manager will consolidate the packs for the monthly business review and issue two days prior to meetings which will be held on the 2nd Thursday of each month.

Operational Level 5 – Monthly Business Review

The Service Manager, Marketing Account Manager and Resources Manager meet with SLT and go through the monthly business review information. Discussion and challenge takes place which focussed on the previous month and also opportunities and the forecast for the next month's activities.

Operational Level 6 – Report to Strategic Leadership Team

The Resources Manager produces a consolidated income and expenditure statement for consideration by SLT and then to forward onto the board of Holdco.

Operational Level 7 – Quarterly Staff Meetings

Engagement with all staff is seen as key to the success of each subsidiary company. Regular staff engagement will take place and on a quarterly basis formal staff meetings are held to consider performance in the previous quarter.

6.3 Approach to Marketing the Services

The marketing approach is similar across all of the services and a great deal of work has already taken place to modernise the way we work with marketing and client engagement now a key theme running through the organisation. The key areas are set out below:

Retention

Gain % increase in revenue by retaining existing customer base and maximising income opportunities.

Gain a fuller understanding of our current customer base, their buying behaviour and the value they bring to our business (in terms of Life Time profit). Use this data to identify opportunities to generate additional income by targeting the right customer at the most appropriate times in their lifecycle with the most relevant sell messages.

- Use database queries to analyse our entire customer base to identify:
 - our highest value customers based on high value, high frequency and high recency and also
 - opportunities to generate income by moving customers into the next RFV group.
- Overlay RFV data onto the known customer buying process – include seasonality and buying cycles to identify opportunities to retain customers by offering different products or services to meet their needs at each stage of the buying process. For example Desk-based assessment to geophysics to excavation.
- Run targeted monthly contact activity across three main customer segments – new customers, current customers and lapsed customers using a variety of marketing contact channels including face to face, telephone, email – supported by an underlying content marketing programme to build brand presence and awareness.

Acquisition

Gain % increase in revenue by acquiring new customers

Identify potential customers and build a prospect database by collecting prospect customer data via the website www.wyjs.org.uk and other points of customer contact such as visits by potential customers, construction and local business networking events, trading standards referrals and by monitoring social media traffic and engagement.

Digital activity

Test the use of search marketing including SEO and PPC to drive digital traffic to the website for further information with the goal of generating an enquiry.

Content marketing - raise awareness

Content

Build a customer persona for each main customer type such as consultant, builder, planner etc. and develop a content marketing strategy to engage with each customer type by producing and distributing high quality, interesting, relevant and interactive content.

PR

Promote WYJS as a leading and valuable source of expert knowledge. Launch a media relations strategy to communicate key messages about the services by gaining editorial coverage in the media (national, regional, trade print, broadcast and online).

Identify news stories from across the business on a monthly basis, developing a monthly PR / editorial plan, monitoring external news and events for opportunities to comment.

Events

Host events at WYJS to educate prospects and current customers on the services we offer.

Attend or speak at external events where we can add value and be associated with a wider circle of influencers.

Increase conversion**Gain % increase in revenue by increasing current conversion levels**

Establish and record conversion funnels and goals including 'online visitor to completed online lead enquiry' and offline 'enquiry or tender to sale'.

Run ongoing test activity to include website design and content changes to maximise conversion rates at each set goal. And continue to monitor and adapt the website content to ensure maximum the website as an effective source of lead generation by tracking user experience.

Implement an improved process for capturing and following up quotes and indicative costs to ensure maximum conversion