

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Procurement of a Joint Venture partnership for the commercial development of HDC's Document Centre
Meeting/Date:	Overview & Scrutiny (Performance & Customers) Panel – 5 July Cabinet – 20 July
Executive Portfolio:	Commercialisation and Shared Services: Councillor D Brown
Report by:	John Taylor – Head of Customer Service
Ward(s) affected:	All

Executive Summary:

Cabinet approved the creation of a Local Authority Trading Company (LATC) at its meeting on 17th November 2016. This was determined as an essential stage in enabling the Council to develop a range of commercial, income generating, activities in line with its strategic objectives. It will also make an essential contribution to the Council achieving its aim of achieving financial self-sufficiency.

This report presents an outline business case to support the viability of procuring a joint venture to operate and develop the print services elements of HDC's Document Centre service. The outline business case is presented as Appendix A.

Recommendation(s):

The Overview and Scrutiny Panel is invited to comment on:

- The suitability of the proposed business model which is based on the formation of a joint venture company. This will combine the existing strengths of HDC's Document Centre with the commercial experience, skills and capacity of a professional print services provider.
- Any omissions, amendments or additions that it is felt would improve this document.

The Cabinet is asked to approve the following:

RECOMMENDED:

- 1. That the business case presents a fair reflection of the broad potential benefits of establishing a partnership with an external commercial print supplier.**
- 2. That the information presented in the business case provides a robust basis upon which to initiate a procurement process to identify potential commercial partners.**

- 3. That soft market testing continues in order to further develop the model set out in the business case, particularly in terms of evaluating market potential and projecting future sources and levels of income.**
- 4. The model described in the business case is used, as part of an EU compliant procurement process (Restricted Procedure with Competitive Dialogue), as the framework for negotiations with potential commercial partners.**

1. PURPOSE OF THE REPORT

- 1.1 This report is provided to enable Members to approve the proposed basis for the procurement of a suitably qualified and experienced commercial partner to form a joint venture company to provide printing and related services.

The attached business case describes an operating model that will allow HDC's Document Centre to contribute its existing skills, experience and resources to a joint venture that will be capable of achieving significant commercial growth.

2. WHY IS THIS REPORT NECESSARY

- 2.1 This report will ensure that Members have a clear understanding of the relative levels of risk and reward roles that this proposed strategy presents to HDC. In addition, it provides an overview of the resource commitments that HDC will be required to ensure that the projected outcomes are achieved.

3. COMMENTS OF OVERVIEW & SCRUTINY

- 3.1 The Overview and Scrutiny Panel (Performance and Customers) was presented the report on the Document Centre – Business Case for Commercialisation at the Panel meeting on 5th June 2017.
- 3.2 Members questioned the projected level of growth particularly as printing is in decline with the emergence of paperless working. In response, the Panel were informed that the soft market testing has predicted the level of growth stated in the report and that the testing has found that different areas of the printing market are growing.
- 3.3 Some Members expressed contentment with the business case for the Document Centre and added that if the right partner could be found then it would be a success.
- 3.4 Concern was expressed that by venturing into commercialisation the Council could end up forcing local print businesses to close down.
- 3.5 Another Member expressed concern with distributable profit and asked the Executive Councillor and the Cabinet to ensure fair distribution of profit.
- 3.6 A Member commented that the Council don't seem to be reviewing all of the options however the Panel was informed that the consultant advanced five options and the Council's Senior Officers along with the Executive Councillor decided the preferred options to present to Members and the Cabinet.
- 3.7 The Panel stated that they are content that the process continues so long as Members can view the Full Business Plan before it is approved.

4. KEY IMPACTS

- 4.1 The cost to HDC of providing the Document Centre service will be reduced.
- 4.2 The potential to generate income from 'external' customers, including those in the commercial sector and outside of HDC's District borders will be increased.
- 4.3 The range of operational expertise, alongside commercial capability and capacity, will be extended.

5. WHAT ACTIONS WILL BE TAKEN

- 5.1 An OJEU compliant procurement process– Restricted Procedure with Competitive Dialogue - will be initiated with the intention of awarding a contract during the latter part of 2017.

6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

- Implementing our Transformation Programme.
Establishing this joint venture will contribute to the way HDC functions in the future. The creation of a de facto trading entity forms one of the key elements of the transformation plan.
- Ensuring our Medium Term Financial Strategy is focused on strategic priorities.
The anticipated revenue income from the extended commercial activity of this joint venture will play an important role in ensuring the Council's future financial stability.
- Maximising income opportunities, where appropriate.
This commercial activity will require the Council to take a measured approach to market opportunities. Robust business planning will ensure that the joint venture generates revenue within an acceptable a sustainable cost base.
- Identifying new opportunities for income generation, where appropriate.
This will be achieved via the introduction of key commercial capabilities such as marketing, business development and account management.
- Having a more engaged and motivated workforce.
Combining the existing Document Centre team with staff from a commercial partner will introduce new ways of thinking and working into the Council, which will provide opportunities for professional and personal development across the organisation.

7. LEGAL IMPLICATIONS

- 7.1 Trowers & Hamlin have assessed HDC's planned actions in regards to incorporating trading companies and have confirmed that this is within the Council's legal powers as defined in:

- Local Authorities such as Huntingdonshire District Council are able to create Local Authority Trading Companies (LATC) under:
- Local Government Act 2003 allows local authorities to trade in any of their ordinary functions.
- The Localism Act 2011 enables local authorities to undertake activities for a "commercial purpose" in order to make a profit but only if delivered within a company
- Local Government Best Value Authorities Power to Trade England Order 2009.

- 7.2 Further legal advice will be commissioned to validate the specific form and governance structure of the proposed joint venture company.

8. RESOURCE IMPLICATIONS

- 8.1 The joint venture company will also require a range of support services in areas such as HR, Finance and IT. It is anticipated that these services will be competitively sourced and that HDC will be provided with an opportunity to submit a bid for each contract.

9. OTHER IMPLICATIONS

9.1 Key risks:

Acting outside law: external legal advice has been taken to establish legal basis for local authority trading.

Business return may not be there: the attached business case has been developed with external support to validate the anticipated commercial proposition.

Higher risk profile: procurement of a joint venture will help to spread risk.

Loss of control over services: HDC shareholding the company will ensure that influence is maintained, but the Council will not retain sole control of services.

9.2 As noted above, input from the Monitoring Officer will be required to support any required changes to the Council's constitution.

Should operational support for the joint venture be provided by HDC, this will be a market rates and under the terms of a Resourcing Agreement which will be negotiated between the company and the Council.

Any rental agreement for office accommodation in Pathfinder House will be at market rate and configured as a contractual arrangement between the two parties.

10. REASONS FOR THE RECOMMENDED DECISIONS

10.1 In order that HDC can proactively pursue its intention to be financially self-sufficient by 2020, it is essential that the Council establishes the commercial vehicles necessary to provide opportunities to increase income and, where possible, reduce costs.

The establishment of this joint venture company will enable to Council to protect its existing investment in print services (people and equipment) whilst also creating opportunities to enhance the commercial potential of a business that is equipped to service a wider range of customers across the public, private and third sectors.

11. LIST OF APPENDICES INCLUDED

Appendix A – Business Case

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